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PROJECT COMPLETION REPORT

KOREA

INDUSTRIAL FINANCE PROJECT  
(LOAN 2309-KO)

APRIL 30, 1992

Industry and Energy Operations Division  
Country Department III  
Asia Region

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### CURRENCY EQUIVALENTS

Currency Unit	-	Korean Won (W)
\$ 1	-	W 750 (at appraisal)
\$ 1	-	W 861 (at completion)
\$ 1	-	W 702 (as of March 1990)

### ABBREVIATIONS

BoK	-	Bank of Korea
CD	-	Certificate of Deposits
CMA	-	Cash Management Accounts
DFC	-	Development Finance Companies
DFI	-	Development Finance Institutions
EDI	-	Economic Development Institute
KBI	-	Korea Banking Institute
KDB	-	Korea Development Bank
KLB	-	Korea Long Term Credit Bank
NBFI	-	Non-Bank Financial Intermediaries
NIF	-	National Investment Fund
Repo	-	Repurchase Agreement

### FISCAL YEAR

January - December

Office of Director-General  
Operations Evaluation

April 30, 1992

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT:       Project Completion Report on Korea  
              Industrial Finance Project (Loan 2309-KO)

Attached, for information, is a copy of a report entitled "Project Completion Report on Korea - Industrial Finance Project (Loan 2309-KO)" prepared by the Industry and Energy Operations Division, Country Department III of the Asia Region, with Part II contributed by the Borrower. No audit of this project has been made by the Operations Evaluation Department at this time.

Attachment

A handwritten signature in black ink, appearing to be "L. H. H.", is located in the lower right quadrant of the page.

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PROJECT COMPLETION REPORT

KOREA

INDUSTRIAL FINANCE PROJECT  
(Loan 2309-KO)

PREFACE

This report presents an evaluation of the results achieved under the first Industrial Finance Project in Korea, for which Loan 2309-KO was approved on June 9, 1983. The US\$255.0 million loan in support of the Government's financial sector policy reform, priority industrial investments through a credit component, and a strengthened financial system through a technical assistance component was made to three Project Entities: Korea Development Bank, Korea Long Term Credit Bank and the Ministry of Finance/Korea Banking Institute. The loan closed on December 31, 1988 with about US\$2.3 million of the loan amount undisbursed and cancelled. The last disbursement was made on May 16, 1988.

The PCR was prepared by the Industry and Energy Operations Division, Country Department II, Asia Region (Preface, Evaluation Summary, Parts I and III). The PCR draws on the Staff Appraisal Report; the Loan, Guarantee and Project Agreements; supervision reports, correspondence between the Bank and the Project Entities; internal Bank memoranda; the Project Entities' financial reports and project data provided by the Project Entities. It presents a review of the implementation of the project, the extent to which the policy and institutional objectives were achieved and the results of the investments made. The borrowers have been helpful in providing useful data for Part III and submitted their respective Part II as contribution to the PCR.

**PROJECT COMPLETION REPORT**

**KOREA**

**INDUSTRIAL FINANCE PROJECT**

**(LOAN 2309-KO)**

**EVALUATION SUMMARY**

1. The project loan for US\$255.0 million reflected the Bank's new approach to industrial lending in Korea and its principal objectives were: (a) support the Government's financial sector policy reforms, particularly those which were to be implemented or achieved over the period 1983-85; (b) support priority industrial investments by financing the foreign exchange requirements of KDB and KLB; and (c) strengthen the financial system by way of training and technical assistance. The project had a policy package summarized in a Policy Letter, a credit component to KDB for US\$130.0 million and to KLB for US\$120.0 million, and a technical assistance component coordinated and supervised by KBI for US\$5.0 million (para. 3.01-3.02).
2. The financial policy objectives of the program sought reforms in the following areas: interest rate decontrol, liberalization of commercial banks, supervision of financial institutions, directed credits, corporate indebtedness and equity market development. In the area of interest rates, the main objective of the reforms was to seek Government's agreement in maintaining real positive rates. With respect to liberalization of commercial banks, the main objective was to improve the efficiency and competitiveness of commercial banks. In the area of financial supervision, the reforms aimed at adjusting supervisory procedures to the new requirements of a liberalized markets. For directed credits, the objectives were to reduce the flow and burden of the NIF on financial institutions. Finally, the reforms aimed at improving the relative attractiveness of equity financing for corporations and investors and at fostering the development of the equity market (paras. 6.01-7.11).
3. The progress of the financial sector liberalization was favorable and continued through a series of steps undertaken by the Government over 1983-85. Due to a low level of inflation and a decline in market rates, interest rates in Korea remained significantly positive in real terms during the project period. These conditions permitted the Government to achieve its interest rate objectives under the reform. There was a change in the status and scope of activity of local commercial and foreign banks. The Government has unified and strengthened supervisory functions for banks and NBFIs by supporting the existing Office of Bank Supervision and Examination and by establishing new departments within it to supervise NBFIs. The Government reduced net contribution to the NIF and total loans granted under it in 1985. Finally, in its effort to attract equity financing, the Government reduced the criteria for issuing shares, established funds exclusively for pension funds and gave foreign investors greater access to the securities market. Several measures were also introduced to promote the issuance of bonds and tax changes were introduced to encourage public offerings and new shares (paras. 7.03-7.11).

4. Utilization of the credit component by KDB and KLB has been satisfactory for most of the project period. Initially, the rate of funds utilization slowed considerably in the third quarter of 1985 due to three factors: (a) a general slowdown in investment demand in Korea which began in mid-1985; (b) competition from the BoK's Won export facility; and (c) perceived non-competitiveness of Bank funds following the drop in interest rates prevailing in the international capital markets. However, BoK's export facility was no longer available and the investment climate began to improve in 1986 so disbursements improved. Regarding the uncompetitiveness of Bank's subloan rates, discussions between the Bank, KDB and the Government resulted in the reduction of the covenanted minimum spread to 1% in 1987 (paras. 7.12-7.13).

5. Changes were also made in the original agreements at various stages of project implementation to encourage further utilization of the loan. These changes were: (a) reducing the interest rate spreads on Bank-financed subloans; (b) increasing the maximum subloan size; (c) revising upward the debt equity limitation; (d) permitting on exceptional basis the financing of up to 100% of local costs; and (e) arranging for a revolving fund as a means to move funds quickly (para. 7.14).

6. As a result the original objectives of the credit component were achieved. Under the loan a total of \$247.8 million was disbursed out of the original amount of \$250.0 million. A total of 145 subloans were approved under the loan; 89 for KLB (\$119.3 million) and 56 for KDB (\$128.4 million). The objectives of the two technical assistance components--overseas training and computerization have also been satisfactorily achieved (paras. 7.15-7.16).

7. The project had significant benefits: (a) it facilitated a close and effective dialogue with the Government on financial sector policies; (b) the credit component provided the financial support to deserving investment projects; (c) the institution building component benefited not only KDB and KLB but also other financial institutions which participated in the overseas training program; and (d) the computerization program strengthened the Government's tax collection efforts while helping the financial sector set up a reliable credit information system (para 8.01).

8. The performance of the Bank and its supervision of the project was satisfactory. Likewise, the performance of the borrowers on the whole, was also satisfactory throughout the project period. The main lessons to be drawn from the operation are: (a) financial liberalization is a complex task in which the Bank would have to be involved over several years through a series of operations in order to achieve significant and durable results; (b) Korea's approach to financial sector reform was tailored to the changing economic climate; (c) the stability of the macroeconomic environment is an important factor in successful financial liberalization; (d) the flexibility shown by the Bank was an important element in project implementation; (e) care should be taken before requesting specific confidential financial data ex ante; and (f) the operation showed that there are large potential payoffs in supporting a reform program enjoying strong Government commitment and in investing in project design (paras. 9.01-11.07).



# PROJECT COMPLETION REPORT

## KOREA

### INDUSTRIAL FINANCE PROJECT (LOAN 2309-KO)

#### PART I: PROJECT REVIEW FROM BANK'S PERSPECTIVE

##### 1. Project Identity

Name	:	Industrial Finance Project
Loan Number	:	2309-KO
RVP Unit	:	Asia Region
Country	:	Republic of Korea
Sector	:	Industry
Subsector	:	Finance

##### 2. Project Background

2.01 The Government, in the 1980s, recognized that its extensive role in directing the course of industrial development through selective directed credit allocation, discriminatory fiscal incentives and protection policies was no longer appropriate to the increasing complexity and sophistication of Korea's industrial sector. Hence, in 1981, the Government undertook a number of important measures which provided the basis for the Bank's first SAL and initiated a reform of the financial system aimed at improving resource allocation and increasing the effectiveness of financial intermediaries.

2.02 The Bank's Financial Sector Review initiated in 1979 reiterated the call for financial sector reform. The Government took its first step towards financial liberalization in 1981 with the partial liberalization of short-term interest rates on commercial paper. In 1982 the Government proceeded with a radical simplification of the detailed regulations of commercial banks and the privatization of government holdings in four of the five largest commercial banks. Further steps were taken in June 1982, with the simplification of the lending structure, removal of subsidized lending rates on selective lending programs and widening of interest spreads for financial intermediaries.

##### 3. Project Objectives and Description

3.01 The first Industrial Finance Project reflected the Bank's new approach to industrial lending in Korea. Its principal objectives were to: (a) support the Government's financial sector policy reform, particularly those which were to be implemented or achieved over a two-year period 1983-85; (b) support priority industrial investments through a credit component financing part of the foreign exchange requirements of the Korea Development Bank (KDB) and the Korea Long Term Credit Bank (KLB); and (c) strengthen the financial system through a technical assistance component.

3.02 The project provided for: (a) a policy package outlining the sectoral issues to be addressed and summarized in a Policy Letter from the Minister of Finance; (b) a credit component to KDB totalling \$130 million and KLB for \$120 million; and (c) a technical assistance component of \$5 million of which \$2.5 million would cover the foreign exchange requirement of an overseas training program geared to meeting the needs of financial supervisory agencies and of selected financial institutions, and the other \$2.5 million would defray part of the cost of consultants to help in establishing a system for computerizing data on financial transactions. Implementation of the technical assistance component would be coordinated and supervised by the Korea Banking Institute (KBI).

#### 4. Project Institution

4.01 KDB was established in 1954 as a government-owned development bank. It operates primarily as the financing arm of the Government's industrial investment policies and, as such, administers most of the Government's major selective lending schemes for industry (except for the short term export credit program). It also finances major projects in the transportation and power sectors. Although it finances both public and private sector projects, only large scale enterprises (those employing more than 300 persons and with total assets over W500 million) are eligible to borrow. As of 1988, KDB was the single largest financial institution in Korea with total assets of W12.3 trillion and the largest source of term finance for industry in Korea.

4.02 KLB was established in 1967 as the Korean Development Finance Corporation and converted in 1980 into the Korea Long Term Credit Bank with the enactment of the Long Term Credit Bank Law. Since then, it has been empowered to extend a complete range of development banking services. It is, to date, the only privately owned development finance institution in Korea, providing essentially medium and long term financing to private enterprises. KLB is a publicly held corporation and its stock is listed on the Korea Stock Exchange. As of 1988, KLB's total assets amounted to W2.5 trillion and its equity capital at W180.3 billion. Of its total share capital, 83% is held by local private investors and 17% by foreign financial institutions.

4.03 KBI was established in 1976 by 11 banks, including the Bank of Korea, to develop and administer training programs for Korean financial institutions. It has acquired over the years substantial experience in this field. During loan negotiations, KBI submitted and the Bank reviewed a pre-implementation study on training targets and requirements for the principal training beneficiaries.

#### 5. Project Design

5.01 The conceptual foundation for the project was innovative and appropriate. As a project with a limited policy package, the Bank was fully aware of the fact that financial reform in Korea is a dynamic process which had to run its course. Hence, a more comprehensive approach at that time would be unnecessary and impractical. The financial sector lending was also never intended to be a one-shot affair (a second financial sector

loan was processed in FY86). Under the loan, salient issues of the sector would be dealt with as part of the Bank's dialogue with Korean officials.

5.02 The project was well prepared; its timing and scope enabled the Bank to continue its involvement in the discussions of the financial sector liberalization process, provided the Government credit for a long list of commendable actions it has approved or undertaken in pursuing financial liberalization, and to make needed resources available to the participating DFIs. The project's multi-institutional lending approach was welcomed by the Government and the two DFIs.

5.03 Unlike previous operations, a single loan was made available to the Government and monies were lent to participating DFIs under Subsidiary Loan Agreements. While no formal apex arrangement was eventually decided, the format was expected to simplify loan administration and to set the stage for the next industrial finance operations. Operationally, it was more efficient for the Bank to provide multi-institutional lending in the light of staff commitments and due to the growing maturity and institutional development of the participating DFIs. Furthermore, the sophistication of the financial system and the economy was a strong inducement for the Bank to shift its focus in lending to macro-policy issues; that can best be achieved by multi-institutional loans.

## 6. Project Implementation

6.01 Overall, the project components were successfully executed. The progress of the financial sector liberalization (detailed in the paras. on major project results) was favorable and continued through a series of successive steps undertaken by the Government and announced at frequent intervals. Despite the progress, however, major problems during the implementation period remained inadequately addressed and became the main focus of the second financial sector loan (under preparation in 1986): (a) in the area of commercial bank liberalization, the important issue of the commercial banks' non-performing assets continued to be a serious threat to improvement of financial sector performance; (b) with regard to interest rates, an area of concern was the continued administration of interest rates which limited the flexibility of banks to link lending rates with risk or maturity while encouraging the proliferation of more sophisticated, less regulated lending instruments, often accessible only to prime corporations; (c) in the area of bank supervision, a shift in the regulatory system to enhance the banks' autonomy of action was not fully achieved; (d) in the area of corporate indebtedness, strengthening of the securities market remained an important issue, considering the importance of the corporate sector in the economy; and (e) in the area of directed credit, further reductions in the role of the National Investment Fund (NIF) as well as of other funds and regulations remained valid but unattained objectives.

## 7. Project Results

7.01 Policy Component. The financial policy objectives of the reform program and the Government's steps to meet them over 1983-85 (project implementation period) were as follows:

7.02 (a) Interest Rate Decontrol.<sup>1/</sup> Agreement was reached that the Government would maintain real positive rates, narrow the differential between controlled and market rates, and ensure an adequate spread for commercial banks. Measures intended to address these issues included raising the upper limit of commercial bank lending rates, introducing new financial instruments with higher rates to facilitate interest rate adjustments, and pursuing effective economic management policies to help contain inflation.

7.03 Interest rates in Korea remained significantly positive in real terms during the period on account of the low level of inflation and a decline (consistent with worldwide trends) in market rates. These conditions permitted the Government to achieve its interest rate objectives under the reform. Banks for the first time were permitted a modest discretionary range of lending rate band within which they were free to set rates. In addition, the liberalization of the issuing rate for corporate bonds and CDs constituted a step towards liberalization of interest rates. However, in response to the priority objectives of stimulating economic activity and to the worldwide decline of interest rates, the authorities reduced the maximum lending rate from 13.5% to 12% and the lending rate band from 3.5% to 2% in 1986. New financial instruments (such as negotiable CDs and CMAs) were also introduced in 1984 and commercial banks were permitted to issue higher yielding CDs, as a means of bolstering their competitive position in the broader financial markets.

7.04 (b) Liberalization of Commercial Banks. The main objectives of the banking sector reform were to improve efficiency and competitiveness.

7.05 A significant result of the commercial banking reforms was the changes in the status and scope of activity of foreign banks. In 1984 foreign banks were given membership in the National Banks Association and the Clearing House and the definition of "capital" for foreign bank branches was broadened so that foreign banks became less constrained in their lending activity and in issuing guarantees and acceptances. Meanwhile, two new nationwide commercial banks were established as joint ventures with foreign banks in 1984. In 1985 foreign banks were allowed limited competition with domestic banks (to undertake trust business) and in 1986 they were given access to the Bank of Korea (BoK) rediscount facility.

7.06 There were other significant measures implemented. In 1984 six more commercial banks were allowed to offer trust business on the basis of free competition (formerly only the Seoul Bank and Trust Company and other local commercial banks approved in 1983 were allowed). In 1985 restrictions on chartering Non-Bank Financial Intermediaries (NBFIs) were

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<sup>1/</sup> The Government did not liberalize lending rates until December 1988 when it felt that conditions were propitious. Deposit rates have not been liberalized as yet since the percentage of bad loans in the banks' portfolio is perceived as still too high.

relaxed and NBFIs were allowed to engage in new activities. In 1984, a committee was set up to review the roles of specialized banks within the financial system but its deliberations are still underway.

7.07 (c) Supervision of Financial Institutions. The reforms aimed to cover the following aspects of bank supervision: the need to adjust supervisory procedures to the new requirements of a liberalized market with emphasis on monitoring examination and implementation rather than strict guidelines and control; training of supervisory staff; and the clear demarcation of the functions of supervisory agencies. The Government, in this area, has unified and strengthened supervisory functions for banks and NBFIs by supporting the existing Office of Bank Supervision and Examination and by establishing new departments within this supervisory body to supervise NBFIs.

7.08 (d) Directed Credit. The objectives of the reforms were to reduce the flow of directed credit; reduce the burden of the NIF on financial institutions and its transfer to specialized development banks; adjust the NIF lending rate to the level of the general lending rate except for rates to restructured enterprises; and earmark NIF fund allocations on sectoral basis rather than on an enterprise basis. The Government reduced net contribution to the NIF from W 73 billion in 1984 to W 37 billion in 1985 and total loans extended were reduced from W 499 billion in 1984 to W 464 billion in 1985. However, net Government contributions to NIF and the volume of loans extended increased again in 1986 due to the Government's desire to stimulate economic activity and to support new initiatives in technology-intensive projects, export promotion and small-scale industries.

7.09 The Government's overall commitment to limit its intervention in private economic activities and to reduce preferential credits is reflected in the reduction of direct government funding of KDB, its principal agent for directed credits. NIF funds to KDB was substantially reduced from W 222.6 billion in 1983 to W 198.6 billion in 1987.

7.10 Regarding another special credit facility, BoK substantially expanded the Won export fund in August, 1985, making funds available (through commercial banks) to borrowers at 11% with no foreign exchange risks, for purchases of both domestic and imported goods. However, the Government discontinued this special facility in April 1986.

7.11 (e) Corporate Indebtedness and Equity Market Development. The main objectives of the reform were to improve the relative attractiveness of equity financing for corporations and investors and to foster the development of the equity market. Among the measures sought were: to encourage private firms to go public; to revitalize the over-the-counter market; to allow issuance of shares at market price rather than par; and to reduce restrictions on foreign investments. The Government undertook the following measures: reducing from three to one the criteria to be satisfied for issuing shares at market rather than at par; increasing the limit governing participation in the Employer Securities Savings Scheme; establishing investment funds exclusively for pension funds; directly negotiating with pension funds to place their money with investment/trust funds; and giving foreign investors greater access to the securities market

through the expansion of the Korea Fund. To promote the issuance of bonds, the Government relaxed the issuing terms of non-guarantee corporate bonds; developed the compound rate bonds; diversified the corporate bonds; and allowed Korean companies to issue overseas convertible bonds valued at up to 15% of their net worth. Several tax changes were also introduced to encourage public offerings and new shares. Finally, an independent credit rating system and information agency was established to help banks strengthen their capabilities to develop their own credit criteria, including appropriate debt equity and debt service guidelines. The problem of corporate indebtedness, however, continues to be managed through the prime bank system. Furthermore, due to economic conditions the debt ceiling for large corporations was relaxed for export financing and equipment investment for export industries.

7.12 Credit Component. This component was made available for financing industrial projects (mainly medium- and large-scale enterprises) selected and appraised by KDB and KLB and implemented under a typical DFC operation. Access to Bank funds were limited to firms with sound financial structures (defined as firms with a maximum debt/equity ratio of 4.5:1). A subloan ceiling (eliminated in the second industrial finance loan) and a single borrower limit exposure of \$15 million were imposed along with a free limit of \$5.0 million.

7.13 The level of utilization of the credit component by KLB and KDB has been satisfactory for most of the project period. The rate of utilization of the funds slowed down considerably in the third quarter of 1985 and as a result, some \$30 million of the KDB credit component and \$3.3 million of the KLB component remained uncommitted. The slow utilization was caused by three factors: (a) a general slowdown in investment demand in Korea which began in mid-1985; (b) competition from the BoK's Won export facility; and (c) perceived non-competitiveness of Bank funds following the drop in interest rates prevailing in the international capital markets to which Koreans had already access. The higher interest rate on Bank subloans was due in part to the covenanted minimum 2% spread. However, BoK's export facility was no longer available for the purchase of imports and the investment climate began to improve in 1986 so that prospects for disbursements, particularly for the second industrial finance loan, improved. Regarding the uncompetitiveness of Bank subloan rates, discussions between the Bank, KDB and the Government resulted in the reduction of the covenanted minimum spread to 1% in 1987.

7.14 To encourage further utilization of the credit component, the following changes were made in the original agreements at various stages of project implementation: (a) reducing the interest rate spreads on bank-financed subloans; (b) increasing the maximum subloan size; (c) revising upward the debt equity limitation; (d) permitting on exceptional basis, the financing of up to 100% of local costs; and (e) arranging for a revolving fund as a means to move funds quickly.

7.15 The original objectives of the credit component were achieved. Under the loan, a total of \$247.8 million was disbursed out of the original credit component of \$250.0 million while the remaining \$2.2 million was cancelled. At project completion, the loan was fully committed except for

a small amount resulting from partial subloan cancellations. There were no extensions to the completion date of December 31, 1986. A total of 145 subloans were approved under the loan; 89 for KLB involving IBRD funds totalling \$119.3 million and 56 for KDB amounting to \$128.4 million. Subloan size was satisfactory with the range of subloan amounts from \$50,000 to \$15.0 million; above the free limit ("A") subloans accounted for 31% of total approvals under the project. The disbursements benefitted about 127 sub-borrowers and generated about 12,685 additional jobs. Foreign exchange earned and saved by KDB and KLB was estimated at \$920 million.

7.16 Technical Assistance Component. The objective of the project's two technical assistance components have been satisfactorily achieved. The overseas training program managed by KBI resulted in the training of about 408 staff from 21 financial institutions and the Ministry of Finance at four different locations abroad and in Korea for a total cost of \$2.4 million. The Bank also assisted KBI in: (a) preparing pro forma contracts to be used by DFIs in their training program, which significantly reduced staffing requirements for reviewing small contracts; (b) designing the post course evaluation format; and (c) preparing the post evaluation report (with the assistance of EDI). Under the computerization program, aimed at designing and testing a system of comprehensive data processing of information provided by commercial banks and other financial institutions, a Management Information System was designed and implemented by the Software Development Centre (an affiliate of the Korea Advanced Institute of Science and Technology) to facilitate effective tax administration and improve fiscal management. The system was transferred to the Office of National Tax Administration in September 1984.

## 8. Project Sustainability

8.01 The project had significant benefits: (a) it facilitated a close and effective dialogue with the Government on financial sector policies; (b) the credit component provided the financial support to deserving investment projects which are financially and economically sustainable operations; (c) the institution-building component benefited not only KDB and KLB, whose maturity and efficiency are already quite high, but also other financial institutions which participated in the overseas training program; and (d) the computerization program strengthened the Government's tax collection efforts while helping the financial sector set up a reliable credit information system.

## 9. Bank Performance

9.01 The performance of the Bank was satisfactory. The project was designed as a transition step toward full financial sector loans. It became the first multi-institutional lending operation in the financial sector and was an effective interim operation which permitted the accomplishment of multiple objectives. It enabled continued Bank involvement in the financial sector, provided time for the Bank to broaden coverage of its lending operations in the sector, gave the Bank the opportunity to press ahead with financial sector liberalization and did not

disrupt the borrowing program of the DFIs which would have been the case if the Bank opted for a full fledged financial sector loan.

9.02 The supervision of the project was likewise effective and efficient because: (a) the supervision of the project was twinned with the preparation of the follow-up project (Second Industrial Finance Loan); (b) the financial sector issues addressed under the project were also being addressed under other economic and sector work (SMI loan, SAL II) by the Bank in Korea; (c) the project implementing agencies performed satisfactorily; (d) the supervision of KDB and KLB under the credit components was shared with the Asian Development Bank which was another important source of credit to these institutions; and (e) the design of the training components facilitated subsequent follow-up and supervision by the Bank.

#### 10. Borrower Performance

10.01 The performance of the borrowers, on the whole, was also satisfactory throughout the project period. At the top, there was Government commitment to the financial reform program which facilitated the project's implementation and which filtered through to the DFIs. The only problem encountered with the Government during project supervision has been its reluctance to provide sensitive information in advance of implementation (e.g., on planned interest changes), for fear of speculative activity. Since such information is usually informally available to the Bank, the Bank has come to accept the Government's approach.

10.02 In the course of the Bank's previous lending operations, since 1975 for KDB and since 1968 for KLB, the Bank's role in institution building has been largely completed for these two institutions. KDB and KLB's involvement helped further the Bank's supervision efforts. KBI, like KDB and KLB, is a mature and competent institution which, despite its lack of prior familiarity with the Bank's procedures and requirements, nonetheless discharged ably its role in the implementation of the training components.

10.03 Several concerns were raised by the Bank with regard to the low profitability of KDB, and the capitalization and future roles of both KDB and KLB in a liberalized financial environment. Under the loan, to improve its profitability, KDB agreed to maintain a minimum 2% weighted average effective spread on its commercial borrowings and a maximum long-term debt to equity ratio of 10 to 1. In 1985, KDB did not maintain the covenanted 2% minimum weighted average effective spread and in 1986 exceeded the contractual long-term debt to equity limit. Regarding KLB, its long-term debt to equity ratio remained just within its covenanted maximum of 15 to 1.

10.04 Several recommendations to diversify and expand its domestic resource mobilization base and for providing additional services to their clients, in the case of KLB and for expanding the scope of its activities, in the case of KDB were still under review by the Government during the project period. Part III contains an operational and financial performance review of the main project agencies, KDB, KLB and KBI.



11.        Lessons

11.01        The main lessons to be drawn from the operation are:

11.02        1.       Financial liberalization is a complex task in which the Bank would have to be involved over several years through a series of operations in order to achieve significant and durable results.

11.03        2.       Korea's approach to financial sector reform in gradual steps rather than sudden big leaps and its sequencing was tailored to the changing economic climate. On the one hand, the Government's priority of stimulating economic growth in view of the relatively weak economic performance in 1985 has in some areas, temporarily affected the pace of reforms. On the other hand, Korea overcame this adverse macroeconomic condition with flexible and realistic adjustments to the main elements of its reform strategy.

11.04        3.       The stability of the macroeconomic environment is an important factor in successful financial liberalization. In Korea, although interest rates were administered by the Government, the rates were maintained at a substantially positive level and the Government's management of their deregulation was pragmatic. These conditions helped preserve the stability of the financial system.

11.05        4.       The flexibility shown, on the Bank's part, was an important element in project implementation inasmuch as the project design was the first in its field, focussing on broad sector issues yet addressing important institutional ones.

11.06        5.       Care should be taken before requesting specific confidential financial data ex ante (e.g., interest rates and equity market measures), especially those on which expectations formation is usually based. Given Korea's excellent track record for compliance with agreements with the Bank, broad agreement on the direction of the reform and specific measures to be taken toward it should have been sufficient. It is conceivable that insistence by the Bank on being kept informed in writing, as required by Bank policy, regarding planned actions in sensitive areas of the reform might have cost the Bank an unacceptably high amount of goodwill.

11.07        6.       The operation showed that there are large potential payoffs in supporting a reform program enjoying strong Government commitment and in investing in project design. The Bank's involvement was critical when the initial "go-no-go" debate on the reforms was being undertaken within the Government, but once the decision to proceed was made, the Government remained committed to the program.

**PROJECT COMPLETION REPORT**

**KOREA**

**INDUSTRIAL FINANCE PROJECT**  
**(LOAN 2309-KO)**

**PART II: PROJECT REVIEW FROM BORROWER'S PERSPECTIVE**



**THE KOREA DEVELOPMENT BANK**

C. P. O. BOX 28, SEOUL, KOREA

TELEX KODBANK K27463. K24649  
CABLE KODEVELBANK SEOUL

Mr. Inder K. Sud, Chief  
Industry and Energy Operations Division  
Country Department II  
Asia Region  
The World Bank  
1818 H St. N.W  
Washington, D.C. 20433  
U.S.A.

July 24, 1990

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Seelus  
109-

Dear Mr. Inder K. Sud :

Re. First Industrial Finance Project(Loan 2309-KO)

We refer to your letter of 23rd April, 1990.

Enclosed please find our preparations for Project Completion Report of the  
Captioned Loan.

We take this opportunity to tender our apologies for late presentation.

Sincerely yours,

Ki Hyun Kim  
General Manager  
International Finance Department

Encl.

## **PART II**

### **The review of the project**

The First Industrial Finance Project(the 5th IBRD Loan) had financed mainly new and expansion projects in petrochemical industries, machinery and textile industries in Korea from 1983 to 1986. The period was a turning point in the growth of Korean economy, in which the balance of international payment began to show the considerable surplus overcoming the chronical deficits.

With Korea's achieving the trade surplus, its enterprises have gained capabilities for financing their projects from diverse sources and protecting their risks using new financial technologies.

In these circumstances the Loan faced the new aspect in its role.

1. Currency Pooling System was initially introduced to the First Industrial Finance Project. The system's objective, we presume, was the equal distribution of currency risk among the total sub-borrowers and hedging the currency risk of the IBRD borrowings. However, it had adverse effects. The sub-borrowers were negatively exposed to the currency risk. With the growth of industries and financial institutions in Korea there were many sub-borrowers which

2. Besides the sub-borrower's negative exposures to currency risk by CPS, IBRD fund had other unique characteristic: IBRD decided the interest rate of a loan in connection with the cost of its borrowings for the last six month semester prior to the commencement of such interest period. This did not immediately reflect the current prevailing rate of fund in the market.

In order to cover such aspect KDB took active measure of reducing the margin by one percent from July 1, 1986. This gave much help to Korean sub-borrowers.

3. Generally speaking, IBRD and KDB has cooperated closely in correspondence with the changes of business environments. So in KDB's implementing practices of the 5th IBRD Loan, the maximum size of a subloan was increased from US\$12 million to US\$15 million. And the scope of eligible investment enterprise was expanded; the eligible debt equity ratio was enlarged from 4.5 times to 5 times.

In conclusion, we firmly believe that the 5th IBRD Loan has made a contribution to the development of the Korean economy and its enterprises just like the previous four IBRD Loans.



KOREA LONG TERM CREDIT BANK

15-22, Yoido Dong, Youngdeungpo K., Seoul, Korea  
TEL. 782-0111, 783-7961 FAX 784-7310

- 16 -

Mr. Inder K. Sud, Chief  
Industry and Energy Operations Division  
Country Department II  
Asia Region  
International Bank for  
Reconstruction and Development  
1818 H Street, N. W.  
Washington, D. C., 20433  
U. S. A.

Aug. 6. 1990

8/14  
Beelcel  
KO/ISu

Re : First Industrial Finance Project (Loan 2309-2 KO)

Dear Mr. Inder K. Sud

We are herewith enclosing our Project Completion Report on First Industrial Finance Project. Although we tried hard to meet proposed deadline, it took longer time than expected to complete the report. We regret any inconvenience it has caused on you and look forward to your continued cooperation and guidance in the future.

With warm regards,

Sincerely yours,

K. P. Hahn  
General Manager  
Int'l Banking Dept.

Project Completion Reports For IBRD 2309

Part 2

(A) Evaluation Of The Bank's Performance

1. The total of USD 119.32 Million has been disbursed out of the original loan amount of USD 120 Million under Loan 2309-2 KO, and the remaining USD 0.68 Million has been cancelled. With the prepayments of USD 75.7 Million which has been made from 1987 to 1989, outstanding balance of the loan stands at USD 25 Million as of Aug. 1st, 1990.

2. Such a drastic increase in disbursements in the latter half of 1986 was mainly due to the closing of the Bank of Korea export facility which made IBRD LOAN the substitute fund for enterprises' purchasing equipment. And the increase of disbursements in 1987 was attributed to 1) the general expectation of improvement in economic condition 2) the continued appreciation of the Korean Won.

3. The primary purpose of the first industrial finance project was to enhance the productivity of enterprises by expanding production facility and replacing obsolete equipments which were urgently required to strengthen international competitiveness. For that end IBRD funds made a significant contribution to laying solid foundation for surplus economy in the latter part of 1980s by providing urgently needed fund for capital investment to corporations. Loan 2309-2 KO benefited 93 sub-borrowers and created estimated 10,000 new jobs. About 86% of above loan has gone into the manufacturing sector and the remaining portion to the non-manufacturing sector.

As shown in the sectoral and geographical distribution of subprojects, varied industrial sectors which range from food, textile and paper to chemicals and machinery has received the loan. Out of 93 beneficiaries, 71 are located in Seoul and Kyunggi area reflecting ill-balanced regional development in Korea.

(B) Evaluation of KLB's performance

1. There has been substantial changes in KLB's organization and management structure since 1987. The number of employees almost doubled from 342 in 1987 to 666 as of Jun 1990 and the number of domestic branches also increased from 10 in 1987 to 16 in 1990. As for overseas networks, one wholly-owned subsidiary in Hong Kong and 2 Rep offices in London and Toyko were newly established in 1989 and 1990 respectively.

The 1989 Ordinary General Meeting of shareholders was held on Feb. 27, 1989 and elected 8 directors and 1 auditor. Former President Tae Yong Ham and former deputy President Yun Soo Kim were appointed Chairman of the board and Representative Director-President, respectively.

2. Korean economy has undergone readjustment procedure in 1989 after 3 consecutive years of double-digit growth. Affected by sluggish exports, the Won currency appreciation, prolonged labor disputes and declining investments, the growth rate was conspicuously slowed down. Coupled with inflationary expectation, the business slump resulted in a depressed economic situation.

Under such economic circumstances, the financial environment also deteriorated, and competition among financial institutions intensified by mitigation of official regulations and emergence of newly established financial institutions.

3. Despite the unfavorable conditions in the trade and financial sectors, KLB's total assets, as of the end of 1989, recorded ₩3,922.2 billion which represents a 50.4% increase over 1988 and 9.2 times that of 1980. The composition of KLB's assets was ₩3,416.9 billion in liabilities and ₩505.4 billion in shareholder's equity.

The liabilities consisted of ₩1,408.3 billion in KLB debenture funds, ₩610.6 billion in foreign currency funds and ₩1,402.5 billion in other debts. Of shareholder's equity, ₩172 billion was paid-in share capital and remaining balance ₩333.4 billion was retained earnings.



KLB's source of funds comes mainly in two types: local currency and foreign currency. the former fund is raised through debentures sales, receipt of deposits and borrowings from government, and the latter by foreign borrowings and borrowings from the Bank of Korea, known as KFX fund borrowing.

KLB issued debentures amounting to ₩670.3 billion at face value in 1989, bringing the total amount of debentures issued and outstanding to ₩1,356 billion or 35% increase over the previous year. As of December 31, 1989, KLB's deposits amounted to ₩167.0 billion, an increase of an impressive 58.9% over the previous year. And the portion of special funds including the National Investment Fund, Industry Promotion Fund and Petroleum Project Fund represented ₩170 billion an increase of 22.0% over the previous year.

As for foreign currency funds, a major source of funds that has been raised for KLB consists of Bank of Korea foreign currency roll-over credit, amounting to USD 162 million during 1989, because of our improved balance of payment position vis-a-vis other countries. That has compensated for the decrease in long term foreign borrowings.

In 1989, KLB approved new loans and investments amounting to ₩1,667.8 billion, comprising ₩475 billion in foreign currency and ₩1,192.8 billion in local currency, representing a 109.8% increase over the previous year. KLB's total outstanding loans and investments at the end of 1989 amounted to ₩2,022 billion in local currency and ₩670 billion in foreign currency, for total of ₩2,692 billion.

To expand its range of financial products to customers, KLB has also activated short-term loans and issuance of guarantees. Its outstandings, as of the end of 1989, amounted to ₩132.8 billion and ₩579.9 billion respectively, which increased by 94.6% and 246.1% over the previous year.

KLB extended its operations to include managing money trusts and security investment trusts by opening its trust business on January 4, 1989. With the trust business, KLB is focusing on two strategical points. One is to broaden the base of its household clientele by offering jointly operated money trusts,

and the other is to solidify its position as the professional portfolio manager for large individual accounts of corporate or the institutional trustees. After the first year of operation, total assets accrued from KLB's trust business reached W320 billion generating W1.8 billion in income.

To keep pace with the rapidly changing financial environment, KLB has continuously diversified its international operations. During the first year of operation of International Banking Department, KLB's foreign investment portfolio has quickly gained importance among the Bank's various international banking activities.

In 1989, KLB opened KLB Asia Finance, Ltd., a wholly-owned subsidiary in Hong Kong. As a registered deposit taking company, it provides a variety of financial services such as capital market activities, project financing, trade financing, foreign exchange dealing, etc. KLB also opened representative offices both in London and Tokyo as a preparatory step to extend her business activities to global financial centers.

4. As a result of the increased volume of business, KLB's total revenue in 1989 recorded W325.2 billion, an increase of 33.4% over 1988. Out of the total revenue, interest income from local currency loans contributed 53.2% or W173.0 billion, while interest income from foreign currency loans accounted for 21.0% or W68.5 billion, followed by other income W83.7 billion, or the remaining 25.8%.

Total expenses in 1989 grew to W279.9 billion from last year's W212.9 billion. Of the total, interest on KLB debenture which represents 46.8% or W131.0 billion, showed significant growth. On the other hand, interest on foreign currency borrowings remained relatively steady at W54.8 billion, a 3.7% increase over the previous year. General and administrative expenses comprised 6.3% of the total or W17.5 billion, compared to last year's W12.4 billion. The increase was largely due to the hiring of new employees in steps to expand our networks.

As a result, net income after tax for 1989 increased to W32.6 billion from W20.1 billion last year. Return on total assets, therefore, stands at 0.83%, which is double that of commercial banks' average. And return on equity is 11.73% in 1989, which also exceeds commercial banks' average by noticeable margin.

(C) Overall evaluation of IBRD funds and future cooperation between IBRD and KLB

1. IBRD has played a major role in Korea's successful industrialization by providing fledgling Korean firms with badly needed equipment loan fund. Partly thanks to IBRD's financial support, Korea achieved formidable economic growth which has acquired worldwide recognition.

However, we have witnessed several problems in the management of IBRD Loans since we took intermediary role as follows;

Firstly, Korean sub-borrowers have experienced considerable losses through the foreign exchange risk exposure of CPS, which was a reason of the massive prepayments on IBRD loans (esp. on CPS loans). In addition, sub-borrowers could not forecast the size of FX exposure because the portions of each currency in the Currency Pool could not reasonably be expected.

Secondly, it usually takes too much effort and time to correct errors which sometimes happen due to one party's fault. For instance, if incorrect payment amount is noticed to IBRD on the due date, we have no choice but to wait at least for about six months, thus carrying discrepancy between IBRD balance and ours without appropriate adjustment.

Thirdly, one-sided designation of repayment currencies by IBRD has caused sub-borrowers' complaints because it creates additional FX risk burden on sub-borrowers.

2. Korea has been in the position of beneficiary of IBRD funds in order to stand on her own feet from the debris of Korean War. But as trade figure has turned from red to black in recent days, Korea becomes a helping hand in the international community. This means that Korean financial institutions including KLB can join IBRD's world-wide efforts to help developing nations' industrialization.

KLB has taken a leading role in providing medium and long-term equipment and working capital for more than 20 years since it has started its business as the Korea Development finance Corporation in 1967. And in this context, we are looking forward to the days when we can extend our accumulated know-how in long-term project financing for your world development program.

**KOREA BANKING INSTITUTE**

29-1, Samchung-dong, Jongro-ku Seoul, Korea  
Tel: 2-739-7770, Fax: 2-739-2985

August 22, 1990

Mr. Inder K. Sud  
Chief of Industry and Energy Operations Division  
Country Department II  
Asia Region  
The World Bank  
1818 H St. N.W.  
Washington, D.C. 20433

8/24  
Bedley  
KO/158

Dear Mr. Sud:

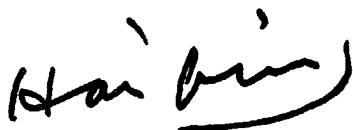
Re: First Industrial Finance Project (Loan 2309-ko)  
Project Completion Report

We are very sorry for delaying to forward the report and statistical data. Now, we are pleased to send them.

We corrected some figures of the tables that you gave to us. We made up the balance sheets and income statements on the basis of our currency Won.

Please accept our apology for delaying.

Sincerely yours,



Hai-bin, Im  
Executive Vice President  
Korea Banking Institute

## PART II

### REVIEW OF THE PROJECT

As the environment surrounding the Korean economy had been changing rapidly in 1980s, the Korean government realized the need for changing its role as a controller and coordinator. During the period of four consecutive five-year economic development plans, the government had successfully fulfilled its role as an economic planner and controller and had contributed greatly to the rapid growth of the Korean economy.

During the process, however, the financial sector was completely under the control of the government and merely played the role of a fund channeling governmental branch. The results were retardation of the banking sector compared with other sectors, inefficiency in fund allocation, low productivity in financial services, etc., all of which phenomena were harmful for the continuance of economic growth.

To cure and remedy the situation, the government decided to liberalize the financial sector by reducing its discretionary power, to intensify the roles of competitive market forces and to place the responsibility for management on the financial institutions themselves. This government policy switch called for much larger staffs in financial institutions with knowledge and skills in various fields of the banking business: credit analysis, international finance, foreign exchange, accounting and auditing, etc.

Therefore, the Korean government initiated a set of training programs for Korean bankers and concluded a contract named "The Loan Agreement for the Industrial Finance Project" with the IBRD on June 29, 1983, to finance some portions of the training program. The total amount of \$2.5 million was scheduled to be drawn upon for 3 years, from 1984 through 1986, and to be repaid during a 12-year period starting from 1987.

The execution of the training project for bankers was relegated to the Korea Banking Institute in accordance with the Korea Banking Institute Agreement for Industrial Finance between the Republic of Korea and the Korea Banking Institute. KBI has merely assumed responsibility for carrying out the management and operation of the training program.

## EVALUATION OF OVERSEAS TRAINING UNDER IBRD LOAN

The majority of trainees from 1984 through 1986 under the IBRD loan had given very favorable responses and high evaluations about contents and quality of various programs and their instructors had been highly appreciated. However, they had been reluctant to openly acknowledge that professional knowledge obtained through all those overseas training can be directly applicable to our current banking business, but they have expressed their opinions that those knowledges would be of great help in future. We should not put too much stress on the relevancy of professional knowledge obtained through overseas trainings to what is currently happening in Korea banking system.

The purpose of overseas training over the past years could be said that Korean bank employees were prepared themselves with sufficient knowledge and advanced techniques for rapid exposure of our banking system to international environment.

The recent situation in economy and politics has been greatly changing all over the world. Under these new circumstances, our banking system inevitably began to transform and adjust itself through more rapid internationalization and more severe competition with non-banking institutions and within themselves. They are also exposed to a new kind of risk related with currency appreciations. These situations lead to more demand and needs for overseas training.

On the basis of all those considerations, overseas training programs even in a modest magnitude should be continued because they cannot be fully replaced or substituted by domestic training programs or by foreign expert invitation programs. However, they should be confined to what is of highest quality and standards. The relevancy of topics to be offered by the overseas training programs to current banking situations in Korea should not be emphasized, The relevancy may be increasing rapidly as our economy rapidly evolves. The relevancy of past overseas training to our banking situations seems to be increasing more rapidly than it had been initially imagined.

**PROJECT COMPLETION REPORT**

**KOREA**

**INDUSTRIAL FINANCE PROJECT**  
**(LOAN 2309-KO)**

**PART III: STATISTICAL INFORMATION**



**PART III**

**1. RELATED BANK LOANS**

Loan No.	Title	Purpose	Approval	Status	Comments
0529	DFC	Finance KLB subprojects.	1968	Closed	
0622	DFC II	Finance KLB subprojects.	1969	Closed	
0735	DFC III	Finance KLB subprojects.	1971	Closed	
0905	DFC IV	Finance KLB subprojects.	1973	Closed	
1095	KDB	Finance KDB subprojects.	1975	Closed	
1094	Program Loan	Support development efforts.	1975	Closed	
1145	DFC V	Finance KLB subprojects.	1975	Closed	
1219	Program Loan II	Support development efforts.	1976	Closed	
1338	KDB II	Finance KDB subprojects.	1976	Closed	
1461	DFC VI	Finance KLB subprojects.	1977	Closed	
1574	KDB III	Finance KDB subprojects.	1978	Closed	
1635	DFC VII	Finance KLB subprojects.	1978	Closed	
1932	KLB	Finance KLB subprojects.	1980	Closed	
1933	KDB IV	Finance KDB subprojects.	1980	Closed	
2071	SAL	Support development efforts.	1981	Closed	
2215	SMMI	Finance SMI subprojects and technical assistance.	1982	Closed	Loan to SMIB, KLB, CNB and SMIPC.
2354	SAL II	Reform in industry, energy, and public sector efficiency.	1983	Closed	
2571	Ind. Finance II	Support reforms, provide credit and training.	1985	Completed	Loan to KDB, KLB and KBI for the technical assistance component.
2515	SMI	Finance SMI subprojects and technical assistance.	1985	Closed	Loan to CNB and SMIPC.

## 2. PROJECT TIMETABLE

Item	Date Planned	Date Actual
Identification Mission	July, 1981	July, 1981
Preparation	June, 1981	June, 81
Pre-Appraisal Mission	June, 1982	May, 1982
Appraisal Mission	May, 1982	November, 1982
Post-Appraisal Mission	February, 1983	April, 1983
Loan Negotiations	May, 1983	May, 1983
Board Approval	June, 1983	June, 1983
Loan Signature	June, 1983	June, 1983
Loan Effectiveness	August, 1983	September, 1983
Loan Closing	December, 1988	December, 1988
Loan Completion	December, 1986	December, 1986

### **3. CUMULATIVE AND ACTUAL DISBURSEMENTS**

**(US\$ Millions)**

	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>
<b>Appraisal Estimate</b>	<b>33.3</b>	<b>157.0</b>	<b>243.0</b>	<b>255.0</b>	<b>255.0</b>
<b>Actual</b>	<b>22.3</b>	<b>141.3</b>	<b>207.5</b>	<b>242.7</b>	<b>252.7</b>
<b>Actual as a % of Estimate</b>	<b>67.0</b>	<b>90.0</b>	<b>85.4</b>	<b>95.2</b>	<b>99.1</b>

#### **Dates of Final Disbursement:**

**Ln 2309-0KO (KBI) - May 16, 1988**

**Ln 2309-1KO (KDB) - March 16, 1988**

**Ln 2309-2KO (KLB) - March 1, 1988**

**Sectoral and Geographical Distribution of Sub - Projects**

File Name : 5 - PCR

( ₩ million )

	1 9 8 4			1 9 8 5			1 9 8 6		
	N o.	Amount	%	N o.	Amount	%	N o.	Amount	%
<b>Sectoral Distribution</b>									
Manufacturing Industries	14	35,007	99.24	21	29,935	72.51	13	33,218	100.00
Consumer Goods	4	4,791	13.58	2	1,719	4.16	3	5,103	15.36
Food & Beverage	1	3,274	9.28						
Textiles wearing apparel & Leather	2	712	2.02	2	1,719	4.16	3	5,103	15.36
Printing & Publishing	1	805	2.28						
Intermediate Goods	5	19,103	54.15	9	8,227	19.93	6	21,455	64.59
Paper & Paper Products				2	871	2.11	2	6,885	20.73
Chemicals, Petroleum, Coal & Plastic	3	10,378	29.42	1	1,836	4.45	3	14,217	42.80
Non - Metallic Mineral Products	2	8,725	24.73	6	5,520	13.37	1	353	1.06
Capital Goods	5	11,113	31.51	10	19,989	48.42	4	6,660	20.05
Basic Metals				2	4,407	10.67			
Fabricated Metal Products, Machinery, & Equipment	2	351	1.00	3	1,322	3.20	2	2,666	8.03
Electrical Machinery & Appliances	2	4,332	12.28	5	14,260	34.55	2	3,994	12.02
Transport Equipment	1	6,430	18.23						
Non - Manufacturing Industries	2	269	0.76	4	11,350	27.49			
T o t a l	16	35,276	100.00	25	41,285	100.00	13	33,218	100.00
<b>Geographical Distribution</b>									
Seoul City	3	999	2.83	2	9,230	22.36			
Busan City	2	593	1.68	2	3,143	7.61			
Taegu City							1	4,100	12.34
Incheon City				1	1,172	2.84			
Kwangju City	1	6,752	19.14				2	1,003	3.02
Kyung - gi Do	2	9,704	27.52	4	2,302	5.58			
Chung - Chong Nam Do	2	5,025	14.24	2	150	0.36	1	186	0.56
Chung - Chong Buk Do	1	7,222	20.47	6	5,665	13.72	4	8,057	24.25
Chol - La Nam Do							1	13,393	40.33
Chol - La Buk Do									
Kyong - Sang Nam Do	1	298	0.84	2	4,476	10.84	2	2,908	8.75
Kyong - Sang Buk Do	4	4,683	13.28	5	14,446	34.99	2	3,571	10.75
Kang - Won Do				1	701	1.70			
T o t a l	16	35,276	100.00	25	41,285	100.00	13	33,218	100.00

4.2 PROJECT IMPLEMENTATION - KLB

Sectoral and Geographical Distribution of Subprojects

( Unit : '000 US\$ )

	Number	%	Amount	%
A. Sub-sectoral Distribution				
1. Manufacturing:				
Food, beverage & tobacco	15	16	8,244	7
Textile, wearing apparel & leather	22	23	36,400	31
Paper, paper products & printing	3	3	2,095	2
Chemicals & petroleum, coal, rubber & plastic products	15	16	14,542	12
Non-metallic mineral products	7	7	8,542	7
Basic metals	6	6	5,852	5
Metal products, machinery & products	17	18	25,770	22
Others	3	3	1,124	1
2. Non-manufacturing				
Mining				
Transportation	2	2	3,281	3
Construction	2	2	1,529	1
Wholesale & Retail	3	3	10,841	9
Fishing	1	1	1,121	1
Total	96	100	119,321	100
B. Geographical Distribution				
Seoul city	59	61	84,225	70
Kyung-gi province	12	12	7,984	6
South Chungcheong province				
North Chungcheong province				
Kangwon province				
South Jeonra province	1	1	512	0
North Jeonra province				
South Kyungsang province	6	7	10,358	9
North Kyungsang province	2	2	3,781	4
Pusan city	9	10	8,344	7
Daegu city	5	5	2,913	3
Incheon city	2	2	1,224	1
Cheju province				
Total	96	100	119,321	100

## 4.3 PROJECT IMPLEMENTATION - KDB

le name: PCR

## Summarized Data on Economic Contribution of Subprojects

(in Won Million)

No.	Subproject Name	Nature of Subproject	Amount Disbursed (₩ mill)	Total Project Cost (₩ million)		IBRD Funds % of Total Project Cost	Incremental Employment		Investment per Worker	Total Profits (Year of Operation)	Total Export (Year of Operation)	F.R.R		E.R.R	
				Est.	Actual		Est.	Actual				Est. %	Actual %	Est. %	Actual %
A-01	San Yang Tire	Expansion	6,752	24,725	21,949	30.8	471	382	57	11,875	258,551	15.1	16.3	18.6	17.5
A-02	Hyundai Cement	Expansion	7,222	7,222	7,222	100.0	200	200	36	7,210	1,732	14.5	13.0	21.0	19.0
A-03	Kia Industries	Expansion	6,430	133,994	96,073	6.7	900	943	102	27,552	298,200	19.8	18.1	23.8	21.3
A-04	Hanjin Transport	New	5,340	13,290	11,243	47.5	23	25	450	1,000	-	13.9	13.0	21.1	19.3
A-05	Daewoo Auto Components	Expansion	8,615	47,886	46,143	18.7	455	455	101	992	61,579	12.4	13.7	17.1	18.5
A-06	Honam Ethylene	Expansion	13,393	197,600	225,112	5.9	512	334	674	8,426	94,206	12.0	14.9	14.7	15.6
B-01	Yusung Woolen Textile	Expansion	414	486	486	85.2	30	20	24	1,572	33,215				
B-02	Pacific Metal	Expansion	163	175	163	100.0	14	12	14	2,528	14,647				
B-03	Hanil Cement	Expansion	375	375	375	100.0	-	-	-	13,140	3,188				
B-04	Samho Development	New	90	434	152	59.2	-	-	-	452	-				
B-05	Korea Electronics	Expansion	3,645	450	6,179	59.0	213	213	29	2,565	156,836	34.0	26.6	33.4	24.5
B-06	Il Hwa Wool Textile	Expansion	403	450	403	100.0	-	-	-	406	6,814				
B-07	Pacific Metal	Expansion	188	242	242	77.7	15	14	17	2,528	14,647				
B-08	Kukdong Oil Company	Expansion	3,522	505,821	434,780	0.8	500	500	870	2,148	27,909	15.9	15.9	30.0	30.0
B-09	Sam Hwa Chemical	New	553	1,053	1,053	52.5	10	5	211	7	3,100				
B-10	San Sung Semiconductors	Expansion	975	975	1,463	66.6	42	40	37	158,480	2,508,263	22.2	24.3	31.5	29.4
B-11	Hyub Sung Cellophane	Expansion	104	145	145	71.7	49	8	18	218	8,000				
B-12	Chun Gyang Container	Expansion	179	343	234	76.5	-	-	-	21	-				
B-13	Seoul Food Industries	New	3,274	9,581	8,922	36.7	384	384	23	800	-	18.5	19.7		
B-14	Kyo Hak Sa Publishing	Expansion	805	1,028	1,028	78.3	12	15	69	2,594	145	13.5	15.8		
B-15	Daehan Pulp Industries	Expansion	559	1,200	719	77.7	480	20	36	1,065	18,908				
B-16	Byuksan Corporation	Expansion	1,503	9,120	6,434	23.4	200	196	33	1,252	1,384	18.8	20.5	14.3	18.6
B-17	Pacific Development	Expansion	224	1,950	1,950	11.5	101	45	43	2,505	6,000				
B-18	Gold Star Company	Expansion	687	514	855	80.3	10	10	86	18,030	1,378,167	28.5	21.0	43.2	38.0
B-19	Dae Kwang Textile	Expansion	298	315	315	94.6	12	10	32	15	2,235				
B-20	Korea Line Corporation	Expansion	3,890	5,910	5,133	75.8	25	25	205	1,271	66,830	19.7	20.5		
B-21	Ulsan Silo Import	New	1,896	1,916	1,896	100.0	65	70	27	1,837	-	14.3	14.4		
B-22	Korea Machinery	Expansion	1,172	3,464	1,172	100.0	10	8	147	2,621	12,645	16.4	15.1	16.8	16.0
B-23	Hanil Cement	New	680	680	680	100.0	8	8	85	13,140	3,188	14.3	15.0	15.0	15.5
B-24	Union Steel	New	1,827	2,522	2,522	72.4	45	40	63	22,620	101,208	15.4	18.6		
B-25	San Sung Electronics	(project cancelled)													
	Sub-Total		75,178	973,866	885,043		4,786	3,982	222						

## INDUSTRIAL FINANCE PROJECT ( LOAN 2309-2 KO )

## PROJECT COMPLETION REPORT

(\$'000 and W million)

(US\$ 1 : W 700.00)

## SUMMARIZED DATA ON ECONOMIC CONTRIBUTION OF SUBPROJECT

No.	Subproject Name	Nature of Subproject	Amount Disbursed (W million)	Total Project Cost (W million)		IBRD Funds % of Total Project Cost	Incremental Employment		Investment Per Worker ( US\$ )	Total Profits (Year of Operation) ( US\$ )	Export (Year of Operation) ( US\$ )	Financial ROR		Economic ROR	
				Est.	Actual		Est.	Actual				Est.	Act.	Est.	Act.
A-1	Kolon Industries Inc.	E	2,347	4,217	4,970	47%	85	85	65	NA	8,500	30	30	20	20
A-2	Lucky Goldstar Int'l	N	7,262	25,840	25,840	28%	436	436	85	NA	24,030	25	25	21	21
A-3	Kolon Industries Inc.	N	6,229	7,827	7,827	80%	115	115	97	NA	4,730	NA	NA	NA	NA
	Sub-total		15,838	37,884	38,637		636	636	247	NA	37,260				
B-2	Anam Industrial Co.,Ltd.	E	1,066	2,330	2,330	46%	50	50	67	NA	NA	16	16	24	24
B-3	Kolon Industries Inc.	N	1,051	2,258	2,834	37%	26	26	124	NA	1,875	20	20	22	22
B-4	Korea Plastic Industry Co.	R	1,048	1,278	1,278	82%	44	44	41	NA	NA	NA	NA	NA	NA
B-5	Mokpo Haeyang City Gas Co.	N	358	1,337	1,337	27%	54	54	35	NA	NA	NA	NA	NA	NA
B-6	Ian Kuk Glass Industry Co.	N	501	1,882	1,882	27%	5	5	538	NA	NA	18	18	25	25
B-7	Korea Machinery Co.,Ltd.	R	512	750	756	68%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-8	Ulsin spinning Co.	N	1,208	2,988	2,988	40%	60	60	71	NA	9,460	19	18	20	20
B-9	Hyundai Electrical Eng. Co.	N	640	1,772	1,770	36%	256	256	10	NA	30,277	NA	NA	NA	NA
B-10	Union Steel Mfg. Co.,Ltd.	R	603	781	780	77%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-11	Moorim Paper Mfg. Co.,Ltd.	E	582	1,945	1,945	30%	7	7	397	NA	NA	NA	NA	NA	NA
B-12	Hyundai Motor Co.,Ltd.	R	1,266	14,616	14,616	9%	550	550	2,000	NA	NA	NA	NA	NA	NA
B-13	Lannong Co.	R	209	458	458	46%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-14	Ottogi Foods Co.,Ltd.	R	38	48	48	79%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-15	Jin Sung Remicon Co.,Ltd.	E	1,890	5,989	5,989	32%	40	40	214	40	NA	NA	NA	NA	NA
B-16	Samyang Co.,Ltd.	E	2,087	17,151	17,151	12%	72	72	340	NA	4,800	NA	NA	NA	NA
B-17	Dae Kyung Ind. Co.	N	266	1,687	1,928	14%	60	60	40	NA	NA	NA	NA	NA	NA
B-18	Korea Cold Stores Co.	E	84	1,433	1,433	6%	55	55	37	NA	NA	NA	NA	NA	NA
B-19	Cheil Sugar Co.,Ltd.	R	837	1,245	1,245	67%	3	3	593	NA	NA	NA	NA	NA	NA
B-20	Irupjin Enterprise Co.	E	283	391	390	73%	NA	NA	NA	NA	1,540	NA	NA	NA	NA
B-21	Ottogi Foods Co.,Ltd.	R	188	238	238	79%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-22	Kolon Industries Inc.	E	2,747	3,865	4,418	62%	85	85	65	NA	5,710	25	25	20	20
B-23	Samyang Wool Textile Co.	E	530	590	530	100%	14	14	60	NA	7,100	NA	NA	NA	NA
B-24	Daegu City Gas Co.,Ltd.	N	370	3,569	3,569	10%	31	31	164	NA	164	NA	NA	NA	NA
B-25	Korea Green Cross Corp.	E	291	300	300	97%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-26	Kunsul Chemical Ind. Co.	E	251	1,500	1,500	17%	37	37	58	NA	NA	NA	NA	NA	NA
B-27	Daeil Industry Co.,Ltd.	E & R	279	351	351	79%	7	7	72	NA	NA	NA	NA	NA	NA
B-28	Daewoo Electronics Co.	E	1,621	2,031	2,031	80%	NA	NA	NA	NA	2,350	NA	NA	NA	NA
B-29	Samyang Wool Textile Co.	E	583	764	595	98%	6	6	182	NA	7,200	NA	NA	NA	NA
B-30	Jin Sung Remicon Co.,Ltd.	E	1,043	1,775	1,775	59%	104	104	24	NA	NA	NA	NA	NA	NA
B-31	Ottogi Foods Co.,Ltd.	R	65	88	88	74%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-32	Anam Industrial Co.,Ltd.	E	1,147	3,163	3,160	36%	50	50	90	NA	5,096	18	18	25	25

B-32	Anam Industrial Co.,Ltd.	E	1,147	3,163	3,160	36%	50	50	90	NA	5,096	18	18	25	25
B-33	Goldstar Co.,Ltd.	E	3,448	7,116	7,110	48%	815	815	13	NA	5,096	33	33	39	39
B-34	Sando Trading Co.,Ltd.	N	269	344	344	78%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-35	Cheil Wool Textile Co.	R	451	693	693	65%	NA	NA	NA	NA	4,120	NA	NA	NA	NA
B-36	Dongbang Co.	R	207	345	345	60%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-37	Dongkuk Ind. Co.	E	57	885	885	6%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-38	Ilshin spinning Co.	R	2,131	2,806	2,800	76%	50	50	80	NA	4,520	NA	NA	NA	NA
B-39	Shinyeong Elec. Co.,Ltd.	E	192	1,080	1,080	18%	30	30	51	NA	8,574	NA	NA	NA	NA
B-40	Cheil Wool Textile Co.	R	532	746	746	71%	NA	NA	NA	1,279	4,530	NA	NA	NA	NA
B-41	Daehan Ink & Paint Mfg.Co.	R	153	227	227	68%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-42	Korea Zinc Co. Ltd.	R	284	428	428	68%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-43	Sando Trading Co.,Ltd.	E	132	169	169	78%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-44	Kirin Chemical Co.	E	69	539	539	13%	10	10	257	NA	193,595	NA	NA	NA	NA
B-45	Samsung Electronics Co.	R	638	839	839	76%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-46	Ilshin spinning Co.	N	137	183	183	75%	NA	NA	NA	NA	4,764	NA	NA	NA	NA
B-47	Anam Industrial Co.,Ltd.	E	2,622	36,265	36,265	7%	865	865	60	NA	NA	NA	NA	NA	NA
B-49	Dongbang Co.	N	1,978	9,361	9,361	21%	100	100	134	NA	51,017	15	15	20	20
B-50	Seoung An Textile Co.	N	104	145	145	71%	NA	NA	NA	NA	NA	35	35	33	33
B-52	Hanjin Commerce & Ind.Co.	N	883	1,325	1,325	67%	20	20	95	NA	405	NA	NA	NA	NA
B-53	Dongbu Express Co.,Ltd.	R	222	380	380	58%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-54	SSangyong Cement Ind.Co.	R	32	630	1,563	44%	1,000	1,000	1,000	NA	1,189	NA	NA	NA	NA
B-55	Goldstar Alps Elec.,Co.	E	1,269	3,594	3,594	35%	35	35	127	NA	2,129	24	24	35	35
B-56	Hannong Co.	R	124	468	468	26%	220	220	220	NA	NA	NA	NA	NA	NA
B-58	Haeil Dairy Ind. Co.	E	484	718	600	81%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-59	Korea Vylene Co.,Ltd.	R	237	319	319	74%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-60	Samsung Electronics Co.	R	646	867	867	75%	NA	NA	NA	NA	1,198	NA	NA	NA	NA
B-61	Samsung Electronics Co.	R	673	900	900	75%	NA	NA	NA	NA	1,240	NA	NA	NA	NA
B-62	Goldstar Co.,Ltd.	R	113	153	153	74%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-63	Cheil Sugar Co.,Ltd.	R	1,161	1,795	1,795	65%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-64	Samyang Co.,Ltd.	E	2,239	5,927	5,927	38%	25	25	339	NA	1,167	19	19	32	32
B-65	Dong Kuk Ind. Co.	E	279	1,600	1,600	17%	50	50	46	NA	9,900	NA	NA	NA	NA
B-66	Sun Ill Glucose Co.	E	355	459	655	54%	31	31	21	NA	NA	NA	NA	NA	NA
B-67	Wonpoong Ind.Ltd.	E	791	30,344	30,344	3%	232	232	187	NA	4,011	NA	NA	NA	NA
B-68	Hankuk Tire Mfg. Co.	E	1,085	13,745	13,745	8%	178	178	110	NA	36,187	NA	NA	NA	NA
B-69	Daedong Ind.Co.,Ltd.	R	527	537	598	88%	NA	NA	1	1,279	NA	NA	NA	NA	NA
B-70	Kyungin Energy Co.,Ltd.	E	3,490	4,446	4,500	78%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-71	Ottogi Foods Co.,Ltd.	E	96	136	136	71%	3	3	65	NA	NA	NA	NA	NA	NA
B-72	Korea Vylene Co.,Ltd.	E	853	1,019	1,019	84%	20	20	73	NA	NA	NA	NA	NA	NA
B-73	Korea Zinc Co. Ltd.	E	2,416	37,167	37,167	7%	830	750	64	NA	29,680	14	14	20	20
B-74	Korea Express Co.,Ltd.	R	2,063	4,439	4,439	46%	144	144	44	NA	NA	17	17	24	24
B-76	Dae Dong Ind. Co. Ltd.	R	1,383	1,784	2,420	57%	50	50	2	1,279	NA	NA	NA	NA	NA
B-77	Yanyang Chem Co.	E	1,234	2,905	2,905	42%	NA	12	346	NA	NA	NA	NA	NA	NA
B-78	Hankuk Glass Ind.Co.	R	567	719	719	79%	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-79	Dyang Fisheries Co.,Ltd.	E	785	2,544	2,544	31%	50	50	73	NA	4,045	NA	NA	NA	NA
B-80	Hanil Development Co.,Ltd.	N	799	10,091	10,091	8%	150	150	96	NA	NA	17	17	21	21
B-81	Kolon Industries Inc.	E	772	2,258	2,258	34%	26	26	124	NA	NA	20	20	22	22
B-82	Gangnam Gas Co.,Ltd.	N	60	2,423	2,476	2%	36	36	78	NA	NA	NA	NA	NA	NA
B-83	Dongwha Pharm Co.,Ltd.	R	693	3,379	3,379	21%	NA	NA	NA	NA	NA	NA	NA	NA	NA



4.4 PROJECT IMPLEMENTATION -- KLB

Page 3 of 3

B-84	Union Steel Mfg. Co., Ltd.	R	119	134	134	88X	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-85	Joongang Dev. Co., Ltd.	R	273	421	421	65X	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-86	Korea Polyethylene Co., Ltd.	N	702	24,487	24,487	3X	38	38	NA	971	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-87	Hankuk Glass Ind. Co.	R	650	893	685	98X	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-88	Hankuk Glass Ind. Co.	R	637	871	658	97X	20	20	NA	62	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-89	Kyung-to Ltd.	E	589	1,455	1,453	41X	5	5	NA	415	NA	NA	NA	NA	NA	NA	NA	NA	NA
B-90	Korea Zinc Co., Ltd.	E	681	2,982	2,982	23X	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sub-total			67,687	309,055	311,556		6,847	6,579	10,376	3,877	444,939								
Total			83,525	346,940	350,183		7,283	7,215	10,623	2,508	482,199								

## LIST OF PARTICIPATING INSTITUTIONS IN THE TRAINING PROJECTS

INSTITUTION	LOAN COMMITTED (US\$) (as of Dec. 31.1988)
-----	
NON MONETARY FINANCIAL INSTITUTION:	
-----	
KOREA DEVELOPMENT BANK	109.000
EXIMBANK	76.000
MONETARY FINANCIAL INSTITUTIONS:	
-----	
BANK OF KOREA	163.000
KOREA INDUSTRIAL BANK	137.000
CITIZENS NATIONAL BANK	176.000
KOREA EXCHANGE BANK	116.000
KOREA HOUSING BANK	154.000
CHO HEUNG BANK	137.000
COMMERCIAL BANK OF KOREA	141.000
KOREA FIRST BANK	152.000
HANIL BANK	168.000
BANK OF SEOUL	165.000
DAEGU BANK	13.000
BANK OF PUSAN	30.000
KWANGJU BANK	19.000
GYEONGNAM BANK	13.000
CREDIT GUARANTEE FUND INSTITUTION:	
-----	
KOREA CREDIT GUARANTEE FUND	56.000
SECURITIES AND INSURANCE COMPANIES:	
-----	
KOREA STOCK EXCHANGE	35.000
DAEHAN LIFE INSURANCE	29.000
DONGBANG LIFE INSURANCE	25.000
LIFE INSURANCE ASSOCIATION OF KOREA	17.000
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TOTAL	1.931.000
=====	

#### 4.6 PROJECT IMPLEMENTATION - KBI

##### SUBLOANS GRANTED TO PARTICIPATING INSTITUTIONS UNDER THE TRAINING PROJECT

INSTITUTION	DISBURSEMENTS (\$000's)					Total
	1984	1985	1986	1987	1988	
Korea Development Bank	24	49	36	100	91	300
Eximbank	16	46	14	69	62	207
Bank of Korea	50	65	48	149	135	447
Korea Industrial Bank	32	55	50	125	113	375
Citizens National Bank	35	70	71	161	146	483
Korea Exchange Bank	24	55	37	106	96	318
Korea Housing Bank	27	72	55	142	128	424
Cho Heung Bank	21	69	47	125	113	375
Commercial Bank of Korea	21	82	38	129	118	388
Korea First Bank	33	74	45	151	138	441
Hanil Bank	36	67	65	154	139	461
Bank of Seoul	41	66	58	151	138	454
Daegu Bank	5	8	-	12	10	35
Bank of Pusan	9	18	3	27	25	82
Kwangju Bank	5	14	-	17	16	52
Gyeongnam Bank	5	8	-	12	10	35
Korea Credit Guarantee Fund	17	39	-	51	46	153
Korea Stock Exchange	7	4	24	32	28	95
Daehan Life Insurance	-	-	29	26	23	78
Dongbang Life Insurance	6	-	19	22	19	66
Life Insurance Association	7	-	10	15	13	45
Total	421	961	648	1,776	1,607	5,314

**4.7 PROJECT IMPLEMENTATION - KBI**

**KOREA BANKING INSTITUTE  
STAFF TRAINING  
(Number of Staff Trained)**

I. Training Field	1984	1985	1986	1987	1988	Total
anking	69	103	64	95	65	3_
anagement Development	6	2	5	2	2	1
inance	3	4	11	0	0	1
Total	78	109	80	97	67	43
II. Destination	1984	1985	1986	1987	1988	Total
urope	5	5	1	2	2	1
SA	43	78	56	45	10	23
hilippines	30	26	20	0	25	10
seoul	0	0	3	50	30	8
Total	78	109	80	97	67	431
Duration of Training (Including MoF staff)	Less than 2 months	Over 2 months	Over 1 year	Total		
984	43	44	11	98		
985	70	40	5	115		
986	45	37	14	96		
987	80	17	0	97		
988	32	37	29	98		
Total	270	178	59	504		

## 5. KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

### Operational Performance

Overall Operations. KDB has exhibited consistently strong growth during the period 1980-87, with its lending and investment operations either surpassing or being close to projection made at the time of project appraisal. Total lending and investment operations (on approval basis) increased at an average annual rate of 18%, from W1.0 trillion in 1979 to W3.3 trillion in 1987; guarantees issued increased by 10% annually, from W1.1 trillion in 1979 to W2.4 trillion in 1987.

Lending Operations. Loans continue to account for the bulk of KDB's annual lending and investment program in aggregate over the 1980-87 period. In 1987, loan approvals amounted to W3,043 billion representing an increase of 12.2% over 1986 approvals. Of these, Won currency loan approvals accounted for 72.6% and foreign currency loan approvals, 27.4%. Relative demand for KDB's foreign currency loans, as evidenced by foreign currency loan approvals as a percentage of total loan approvals and foreign currency loan commitments as a percentage of total loan commitments, declined in 1986 and 1987. The relative importance of lending operations in terms of outstanding portfolio has remained constant over the years: in both 1979 and 1987, loans as a percentage of KDB's outstanding loan and investment portfolio (term) stood at 86.6%; the figure increased only slightly to 89.0% in 1988. Most of KDB's lending is in domestic currency, a trend reinforced in recent years: in 1979, 15% of its outstanding loan portfolio was denominated in foreign currency; by 1987, the corresponding figure was 13%.

Investment Operations. KDB's investment operations (on the basis of new approvals as well as outstandings) fluctuated during the period 1979 to 1987 with no discernible pattern. With a substantial portion of guarantees covered by the Government, these have provided KDB a significant source of low-cost, low-risk income. During the period 1979-88, there has been a shift in the new emphasis of KDB's guarantee operations: domestic currency guarantees as a percentage of total guarantees issued increased from 6.0% in 1979 to 40.2% in 1988.

In conjunction with the first Bank loan to KDB (Loan 1095-KO; March 1975), the Government agreed to assume the financial risk for all foreign guarantees already issued for those enterprises controlled by the Government and for priority enterprises as defined in the KDB Act, under the Guarantee Release Agreement (GRA) of March 31, 1975. The proportion of such guarantees has decreased: 24.0% of KDB's outstanding guarantee portfolio as of December 31, 1988 was covered by the GRA compared to 72.8% as of December, 1979.

### Financial Performance

Financial Position. KDB experienced significant growth in the last decade. Total assets increased from W2.9 trillion as of December 31, 1979, to W12.3 trillion as of December 31, 1988, at an average annual rate

of 17%. Actual figures for assets throughout the period were either above or very close to projections made at the time of the Bank's appraisals

**Equity and Capital Structure.** KDB's net worth stood at W1,106.8 billion as of December 31, 1988, representing a doubling of the 1979 net worth. The increase in net worth was achieved through cash contributions amounting to W125.0 billion, stock asset revaluation (incremental) of W70.6 billion and retained earnings. The ratio of long-term debt (including risk guarantees) to equity rose from 9.99:1 in 1985 to 11.45:1 in 1986, thus bringing KDB into non-compliance with the covenant whereby KDB agreed to maintain a long-term debt (including risk-guarantees) to equity ratio of not more than 10 to 1. In 1987, however, as a result of a capital increase that included a transfer to KDB of equity stock that Government owned in other corporations, the ratio improved to 9.42:1, slightly below the covenanted limit; a reduction in the volume of risk guarantees outstanding led to further improvement in 1988 with a ratio of 8.53:1.

**Profitability.** KDB's performance during the period of project implementation was marked by declining profitability. In absolute terms, net income increased slightly from W37.5 billion in 1979 to W41.6 billion in 1980 and then steadily declined. Indeed, KDB would have posted losses from 1985-88 were it not for non-interest income, i.e. guarantee fees and "other income".

Reported net income was temporarily inflated in 1984 and 1988. Net income jumped to W37.6 billion in 1984, but W16.3 billion of this amount represented gains on the sale of KDB's headquarters in Seoul. Net income in 1988 also shot up to W57.8 billion; however the increased earnings do not reflect the underlying earning capability of KDB as they were almost exclusively due to a gain on sale of marketable securities and investments (W205 billion).

The indicators of financial performance show cause for concern. The decline in profitability is mirrored in net profit as a percentage of average net worth which dropped continuously from 7.9% in 1979 to 1.2% in 1987. Again 1984 and 1988 were exceptions, with the downward trend reversed as the percentage improved to 4.4% and 5.4% respectively; this resulted from the gains referred to earlier. Excluding these capital gains, the percentage for 1984 would be 1.7% and for 1988 would be negative.

The low profitability of KDB can be attributed to the inadequate spread it is allowed to earn on its resources by the Government which has to approve any increase in onlending rates: KDB estimates its net spread at 0.9% in 1985 and 0.7% in 1986 and 1987. While the spread on its government borrowings is 0.5%, the spread earned on its Industrial Finance Debentures (IFDs) is negative. The Government did not take actions relating to the maintenance of a positive spread over domestic debentures and the increase and harmonization of onlending rates for foreign currency funds.

### Quality of Portfolio

The quality of KDB's loan remains sound. The percentage of its loan portfolio affected by arrears of over three months deteriorated somewhat in 1987 and 1988 but still was low: it was 0.4% while the corresponding figure for both 1985 and 1986 was 0.2%. The percentage of the loan portfolio affected by arrears, reschedulings, liquidation and write-offs decreased from 8.4% in 1986 to 7.1% in 1987.

### Resource Mobilization

During the period 1979-88, KDB was successful in mobilizing both foreign and domestic currency resources. Total term resources increased four-fold: from W2.5 trillion to W10.0 trillion. The data indicate a clear shift in the structure of KDB's resources, with Government and foreign currency borrowings registering a decrease and higher cost IFDs assuming greater importance, thus increasing KDB's overall cost of funds. In 1988, long-term liabilities were sourced as follows: borrowings from the Government of Korea, 28.2%, compared to 38.7% in 1985, 30.0% in 1986 and 30.1% in 1987; foreign currency borrowings and debentures, 43%, compared to 53.9% in 1985 and 43.6% in 1986; domestic IFDs, 25.0% compared to 18.8% in 1985, 17.9 in 1986 and 25.7% in 1987. Foreign borrowings from official sources such as IBRD, ADB and KFW, accounted for only 1.2% of KDB's long-term liabilities. KDB's efforts to raise more time deposits to finance its operations were quite successful in 1986, when they amounted to W334 billion representing a growth rate of 312% relative to 1985; however time deposits decreased by 6.8% in 1987.

Domestic Currency Resource Mobilization. During the period 1979-87, the composition of KDB's long term domestic currency resource base has changed significantly. Its reliance upon Government funds (budget allocations and special financing schemes) was reduced, although such appropriations continue to account for a large portion of its domestic currency (term) resources. Domestic IFD's became increasingly important over the period: as of end-1979, they accounted for only 14.3% whereas the percentage was 60.8% in 1987.

The reduction in direct government funding of KDB reflect the Government's commitment to limit its intervention in private economic activities and to reduce preferential credit for which KDB is the principal agent. New NIF funds were substantially reduced starting 1983: compared to an annual average W320 billion for the previous 5 years, NIF funds amounted to W222.6 billion in 1983, 1984 contributions were drastically cut to W127.9 billion; the amounts for 1985-87 ranged from W208 to W226 billion.

Foreign Currency Resource Mobilization. KDB undertakes syndicated commercial borrowings, issues foreign currency debentures (primarily through public placement) and taps foreign official loan sources (principally from ADB and IBRD). During the period 1980-87, KDB mobilized a total of W6.7 billion in foreign currency resources, 79% of which represented syndicated commercial borrowings. Another 14% represented eurobonds, with official funds (IBRD Loans) accounting for the remaining 7%.

In 1974, KDB issued its first eurobond. KDB's success in mobilizing foreign commercial borrowings at very favorable terms has enabled a gradual reduction in its dependence on foreign official funds, which accounted for 75% of total foreign borrowings over the period 1966-73 but rapidly declined to 22.7% over the period 1974-79 and further to only 8% in subsequent years. The major advantage of official funds is that they carry a longer maturity than foreign commercial funds (15 years versus 8 to 10 years), thus enabling KDB to provide longer-term financing to subborrowers with longer gestation projects.

Since demand for domestic currency financing has generally exceeded available resources, KDB has, through a swap arrangement with the Bank of Korea, converted a substantial portion of its commercial foreign exchange resources into domestic currency. Its practice of utilizing part of its foreign commercial borrowings to finance domestic currency operations results from a conscious policy decision endorsed by the Government. Part of KDB's foreign commercial borrowings was also credited to the BOK for general foreign exchange financing purposes, thus providing support to Korea's balance of payments. In effect, KDB was used by the Government as a vehicle for raising commercial foreign exchange resources not only for KDB's own purposes, but also for meeting the general needs of the economy.



# 5.1 KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

file name: Proj-Summary

## Summary of Operations, 1983-89

(In Billion Won)

	'8 3	'8 4	'8 5	'8 6	'8 7	'8 8	'8 9
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
<b>Approvals</b>							
Loans Foreign currency	181	236	651	607	833	861	766
Domestic Currency	1,474	1,965	1,902	2,105	2,210	2,099	2,045
Equity Investments	28	68	48	13	206	2	285
Bonds and Debentures	114	160	66	60	101	118	393
<b>Total Approvals</b>	<b>1,797</b>	<b>2,429</b>	<b>2,667</b>	<b>2,785</b>	<b>3,350</b>	<b>3,080</b>	<b>3,489</b>
<b>Disbursements</b>							
Loans Foreign currency	178	233	641	607	833	861	766
Domestic Currency	1,474	1,965	1,902	2,105	2,210	2,099	2,045
Equity Investments	28	69	48	13	206	2	285
Bonds and Debentures	114	129	66	60	101	118	393
<b>Total Disbursements</b>	<b>1,794</b>	<b>2,396</b>	<b>2,657</b>	<b>2,785</b>	<b>3,350</b>	<b>3,080</b>	<b>3,489</b>
<b>Outstandings</b>							
Loans Foreign currency	712	719	1,018	1,012	1,111	1,661	2,205
Domestic Currency	4,614	5,163	5,896	6,482	7,560	7,643	8,258
Equity Investments/a	512	568	605	600	790	733	1,030
Bonds and Debentures/a	210	249	221	216	303	1,315	106
<b>Total Outstandings</b>	<b>6,048</b>	<b>6,699</b>	<b>7,740</b>	<b>8,310</b>	<b>9,764</b>	<b>11,352</b>	<b>11,599</b>
<b>Guarantees</b>							
Issued	1,277	1,261	1,466	2,148	2,440	1,491	1,920
Outstanding	3,698	3,570	3,755	4,055	3,592	2,439	2,150
Cover under GRA	2,651	2,722	2,720	1,784	1,255	793	-

# 5.2 KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

Page 1 of 2

File name: Project

Projected and Actual Summarized Balance Sheet as of December 31, 1993-1999

(Million Man)

Assets	'93		'94		'95		'96		'97		'98		'99	
	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual
<b>Current Assets</b>														
Cash and Bank Deposits	189,110	151,983	179,655	301,140	170,672	1,444,806	162,138	1,078,346	215,067	217,625	247,876	223,277	282,280	757,504
Securities	233,044	488,963	265,812	515,638	233,122	140,294	150,008	252,578	283,739	409,308	259,615	501,184	320,388	335,638
Short-term Loans/a	335,794	639,713	389,129	829,098	465,953	513,243	548,809	788,622	809,000	853,387	895,700	727,735	782,200	857,588
Current portion of Loans/b	682,018	503,229	733,113	585,397	840,552	631,833	918,089	740,489	1,300,000	799,450	1,418,100	899,637	1,531,400	1,189,644
Accrued Interest & Other Receivables	48,683	31,232	51,804	70,748	54,700	94,968	57,982	78,622	66,914	89,780	70,658	113,753	75,558	117,853
Other Current Assets/c	215,663	186,984	222,534	232,829	240,470	197,244	241,908	145,561	292,747	189,972	309,127	335,549	330,558	733,388
<b>Total Current Assets</b>	<b>1,764,312</b>	<b>1,982,104</b>	<b>1,841,847</b>	<b>2,514,846</b>	<b>2,005,469</b>	<b>3,022,388</b>	<b>2,078,734</b>	<b>3,084,218</b>	<b>2,787,467</b>	<b>2,538,502</b>	<b>3,039,076</b>	<b>3,270,115</b>	<b>3,322,388</b>	<b>3,991,616</b>
<b>Long-term Loans</b>														
Domestic Currency Loans:														
Working Capital Loans	648,736	413,208	623,477	280,029	735,721	1,172,869	854,408	1,642,275	1,339,300	1,756,150	1,630,400	1,695,462	1,888,700	1,719,780
Capital Loans	3,854,902	3,647,432	4,891,185	4,133,172	5,616,880	4,723,431	6,889,891	4,839,806	3,217,400	5,802,333	3,480,500	5,946,555	3,830,300	6,538,577
<b>Total Domestic Currency Loans</b>	<b>4,503,638</b>	<b>4,060,638</b>	<b>5,514,662</b>	<b>4,413,201</b>	<b>6,352,601</b>	<b>5,896,300</b>	<b>7,744,299</b>	<b>6,482,081</b>	<b>4,556,700</b>	<b>7,558,483</b>	<b>5,110,900</b>	<b>7,642,017</b>	<b>5,660,600</b>	<b>8,258,357</b>
(Current portion thereof)	891,220	399,601	900,458	459,917	1,049,707	900,394	1,184,220	1,299,019	951,300	1,451,344	1,084,900	1,414,058	1,240,000	1,659,352
Foreign Currency Loans/a	910,080	626,665	1,107,494	640,633	1,326,054	1,017,621	1,579,374	1,012,200	3,676,300	1,312,271	3,889,900	1,882,599	4,104,000	2,205,075
(Current portion thereof)	186,582	103,628	221,784	165,480	255,798	244,682	282,478	230,092	957,700	201,493	1,028,900	212,318	1,073,800	387,870
<b>Total Loans</b>	<b>5,413,718</b>	<b>4,687,303</b>	<b>6,622,156</b>	<b>5,053,834</b>	<b>7,678,655</b>	<b>6,913,921</b>	<b>9,323,673</b>	<b>7,494,281</b>	<b>8,233,000</b>	<b>8,870,754</b>	<b>9,000,800</b>	<b>9,524,616</b>	<b>9,771,000</b>	<b>10,463,432</b>
(Less: current portion)	1,077,812	503,229	1,122,242	585,397	1,306,505	1,145,076	1,466,699	1,529,111	1,909,000	1,652,837	2,111,800	1,628,372	2,313,800	2,047,232
<b>Net Long-term Loans</b>	<b>4,335,906</b>	<b>4,184,074</b>	<b>5,500,914</b>	<b>4,468,437</b>	<b>6,372,150</b>	<b>5,768,845</b>	<b>7,856,975</b>	<b>5,965,170</b>	<b>6,324,000</b>	<b>7,217,917</b>	<b>6,889,000</b>	<b>7,896,244</b>	<b>7,457,200</b>	<b>8,416,200</b>
<b>Investments</b>														
Equity Shares	481,327	511,764	467,298	587,843	453,289	804,610	439,240	599,923	511,900	790,144	513,300	733,189	513,200	1,030,108
Debt Securities	192,516	209,717	216,258	248,663	252,129	221,107	299,064	216,405	559,400	303,246	724,200	413,519	895,700	804,529
<b>Total Investments</b>	<b>673,843</b>	<b>721,481</b>	<b>683,556</b>	<b>836,506</b>	<b>705,418</b>	<b>1,025,717</b>	<b>738,304</b>	<b>816,328</b>	<b>1,071,300</b>	<b>1,093,390</b>	<b>1,237,500</b>	<b>1,146,708</b>	<b>1,409,900</b>	<b>1,834,637</b>
(Current portion)	110,287	72,927	122,158	88,386	140,694	46,955	149,532	16,100	130,400	6,510	136,800	58,434	141,400	78,304
<b>Net Investments</b>	<b>563,556</b>	<b>648,554</b>	<b>561,398</b>	<b>748,120</b>	<b>564,724</b>	<b>978,762</b>	<b>588,772</b>	<b>800,228</b>	<b>940,900</b>	<b>1,086,880</b>	<b>1,100,700</b>	<b>1,088,274</b>	<b>1,268,500</b>	<b>1,756,333</b>
<b>Other Assets/f</b>														
Property and Equipment	33,734	72,116	42,068	74,085	52,456	77,844	65,412	77,769	80,300	79,032	80,100	84,589	80,400	93,992
Receivables from Loan, Investment & Property Disposal/a	63,838	110,809	70,222	180,026	77,244	237,138	84,968	278,707	85,530	201,931	92,829	181,808	100,751	230,294
(Current portion thereof)	20,191	7,470	21,067	26,906	23,173	23,073	25,490	35,261	0	26,964	0	26,157	0	45,023
Other Assets/f	44,114	122,880	48,532	146,007	58,385	80,235	58,724	77,511	447,370	193,358	487,971	54,998	530,149	117,481
<b>Total Other Assets</b>	<b>141,686</b>	<b>305,805</b>	<b>160,822</b>	<b>390,118</b>	<b>188,085</b>	<b>375,017</b>	<b>209,104</b>	<b>431,987</b>	<b>613,200</b>	<b>480,321</b>	<b>660,900</b>	<b>421,405</b>	<b>711,300</b>	<b>395,744</b>
(Current portion)	20,191	7,470	21,067	26,906	23,173	23,073	25,490	35,261	0	26,964	0	26,157	0	45,023
<b>Net Other Assets</b>	<b>121,495</b>	<b>298,335</b>	<b>139,755</b>	<b>363,212</b>	<b>164,912</b>	<b>351,944</b>	<b>183,614</b>	<b>396,726</b>	<b>613,200</b>	<b>453,357</b>	<b>660,900</b>	<b>395,248</b>	<b>711,300</b>	<b>350,721</b>
<b>Total Assets</b>	<b>6,783,269</b>	<b>7,112,867</b>	<b>7,842,912</b>	<b>8,084,617</b>	<b>9,107,835</b>	<b>9,921,938</b>	<b>10,518,055</b>	<b>10,246,340</b>	<b>10,705,567</b>	<b>11,097,658</b>	<b>11,689,676</b>	<b>12,254,661</b>	<b>12,759,580</b>	<b>14,580,893</b>

Liabilities and Equity	'83		'84		'85		'86		'87		'88		'89	
	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual
<b>Current Liabilities</b>														
Short-term Deposits	103,439	146,389	113,782	133,271	125,161	105,063	137,677	153,765	241,758	109,528	254,153	128,652	268,182	324,164
Current portion of Long-term Debt	830,672	773,574	939,874	1,012,511	1,104,979	1,051,607	1,356,866	1,147,649	1,362,600	1,600,617	1,377,200	3,181,838	1,413,080	2,478,496
Credit Control Account	38,549	55,213	45,889	71,177	53,676	7,213	63,337	4,268	184,544	2,918	189,304	2,386	115,936	3,886
Other Current Liabilities	128,040	133,702	140,844	169,025	154,928	224,680	170,421	268,716	307,098	427,085	322,843	591,725	348,562	744,973
<b>Total Current Liabilities</b>	<b>1,100,700</b>	<b>1,108,878</b>	<b>1,239,989</b>	<b>1,385,984</b>	<b>1,518,644</b>	<b>1,388,569</b>	<b>1,728,301</b>	<b>1,566,399</b>	<b>1,996,000</b>	<b>2,140,148</b>	<b>2,064,100</b>	<b>3,902,883</b>	<b>2,143,680</b>	<b>3,550,539</b>
<b>Long-term Liabilities</b>														
Time Deposits														
Domestic Currency	67	-	77	-	89	89,449	102	334,062	-	291,672	-	296,295	-	279,868
Foreign Currency	-	-	-	-	-	35,318	-	54,285	-	70,145	-	15,987	-	9,544
<b>Total Time Deposits</b>	<b>67</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>89</b>	<b>124,767</b>	<b>102</b>	<b>388,347</b>	<b>0</b>	<b>361,817</b>	<b>0</b>	<b>312,282</b>	<b>0</b>	<b>289,412</b>
Foreign Currency Borrowings														
Official Sources	269,629	261,216	276,497	218,891	335,281	305,065	431,842	332,352	425,361	279,432	458,617	118,859	478,979	74,215
Commercial Sources	2,023,980	2,223,856	2,405,664	2,849,681	2,749,821	4,225,463	3,058,180	4,949,081	3,477,029	4,289,544	3,683,483	4,518,978	3,882,621	5,336,289
<b>Total Foreign Currency Borrowings</b>	<b>2,293,609</b>	<b>2,485,072</b>	<b>2,682,161</b>	<b>3,068,572</b>	<b>3,085,102</b>	<b>4,530,528</b>	<b>3,490,022</b>	<b>4,381,443</b>	<b>3,902,400</b>	<b>4,569,086</b>	<b>4,142,100</b>	<b>4,637,837</b>	<b>4,365,290</b>	<b>5,410,504</b>
(Less: current portion)	214,558	221,571	252,524	276,569	328,063	413,653	331,788	431,354	506,300	756,182	514,588	1,532,965	506,200	788,002
<b>Net Foreign Currency Borrowings</b>	<b>2,079,051</b>	<b>2,263,501</b>	<b>2,429,637</b>	<b>2,791,903</b>	<b>2,756,119</b>	<b>4,116,865</b>	<b>3,158,234</b>	<b>3,950,089</b>	<b>3,396,100</b>	<b>3,732,914</b>	<b>3,619,600</b>	<b>3,074,863</b>	<b>3,851,089</b>	<b>4,622,502</b>
Domestic Currency Borrowings														
Government of Korea	894,260	1,056,227	1,124,140	1,169,934	1,387,118	1,381,171	1,674,296	1,168,199	1,512,812	1,313,871	1,728,928	1,597,761	1,961,437	1,386,745
Industrial Rationalization Fund	33,212	33,212	29,282	29,282	25,351	25,350	21,418	21,418	19,381	17,483	17,344	14,581	15,387	37,763
Tourism Development Fund	55,910	53,895	59,343	59,124	63,751	64,587	78,434	69,451	29,524	75,928	28,887	81,882	28,562	87,388
National Investment Fund	1,800,139	1,587,342	2,113,694	1,522,223	2,536,055	1,433,549	3,054,267	1,399,300	1,610,695	1,255,546	1,575,969	1,125,828	1,558,231	1,025,547
IFSB in Domestic Currency	548,787	589,014	583,012	848,762	683,927	1,017,385	724,735	1,390,058	1,744,700	1,855,589	2,122,500	2,498,164	2,544,908	3,021,173
Other Special Funds, etc.	37,562	-	39,428	42,821	42,821	-	47,985	-	46,788	-	53,472	-	60,663	782,382
<b>Total Domestic Currency Borrowings</b>	<b>3,369,870</b>	<b>4,319,690</b>	<b>3,948,899</b>	<b>3,621,325</b>	<b>4,709,823</b>	<b>3,942,042</b>	<b>5,593,235</b>	<b>4,040,516</b>	<b>4,963,900</b>	<b>4,558,337</b>	<b>5,527,180</b>	<b>5,318,136</b>	<b>6,169,188</b>	<b>6,349,918</b>
(Less: current portion)	616,114	552,003	687,350	735,942	855,630	637,944	1,025,086	656,295	796,380	844,435	862,700	1,631,326	912,088	1,697,694
<b>Net Domestic Currency Borrowings</b>	<b>2,753,756</b>	<b>3,767,687</b>	<b>3,261,549</b>	<b>2,885,383</b>	<b>3,854,193</b>	<b>3,304,098</b>	<b>4,568,149</b>	<b>3,384,221</b>	<b>4,167,520</b>	<b>3,713,902</b>	<b>4,664,480</b>	<b>3,676,810</b>	<b>5,256,300</b>	<b>4,652,224</b>
Provisions for Doubtful Account	70,717	72,593	82,239	78,466	93,462	-	111,970	-	112,371	-	122,859	-	134,158	128,002
Other Long-term Liabilities	56,413	67,515	62,132	72,779	68,260	80,871	75,886	91,329	27,000	99,781	28,000	179,288	29,088	136,532
<b>Total Long-term Liabilities</b>	<b>4,960,004</b>	<b>5,171,396</b>	<b>5,835,624</b>	<b>5,828,431</b>	<b>6,771,427</b>	<b>7,626,601</b>	<b>7,912,549</b>	<b>7,753,906</b>	<b>7,703,071</b>	<b>7,908,314</b>	<b>8,434,459</b>	<b>7,245,284</b>	<b>9,270,858</b>	<b>9,692,863</b>
<b>Total Liabilities</b>	<b>6,060,704</b>	<b>6,280,274</b>	<b>7,075,612</b>	<b>7,214,415</b>	<b>8,289,771</b>	<b>9,015,170</b>	<b>9,641,850</b>	<b>9,320,296</b>	<b>9,699,071</b>	<b>10,048,462</b>	<b>10,498,559</b>	<b>11,148,167</b>	<b>11,414,538</b>	<b>13,242,622</b>
<b>Equity</b>														
Paid-in Capital	538,879	538,879	553,879	583,879	567,879	615,682	583,879	645,682	789,480	809,417	879,400	889,417	969,888	1,059,417
Reserves and Retained Earnings	183,886	293,714	213,421	286,323	249,185	291,087	282,366	288,362	257,096	239,686	311,517	297,377	374,782	258,854
<b>Total Equity</b>	<b>722,765</b>	<b>832,593</b>	<b>767,300</b>	<b>870,202</b>	<b>816,064</b>	<b>906,769</b>	<b>876,245</b>	<b>934,044</b>	<b>1,046,576</b>	<b>1,049,103</b>	<b>1,190,917</b>	<b>1,186,794</b>	<b>1,344,670</b>	<b>1,318,271</b>
<b>Outstanding Guarantees</b>														
Domestic Currency	597,536	305,755	783,236	368,847	996,536	635,088	1,233,436	811,383	335,686	2,438,670	328,168	1,975,307	319,588	1,192,024
Foreign Currency	3,424,972	3,392,876	4,137,065	3,201,706	4,541,323	3,123,380	5,173,293	3,233,709	2,932,114	1,161,876	2,857,923	1,327,517	2,783,212	958,740
<b>Total Guarantees</b>	<b>4,022,508</b>	<b>3,698,631</b>	<b>4,920,301</b>	<b>3,570,553</b>	<b>5,537,859</b>	<b>3,758,468</b>	<b>6,406,729</b>	<b>4,045,092</b>	<b>3,267,800</b>	<b>3,592,546</b>	<b>3,186,100</b>	<b>3,302,824</b>	<b>2,102,800</b>	<b>2,150,764</b>
Less: Customers Liabilities for Guarantees	4,022,508	3,698,631	4,920,301	3,570,553	5,537,859	3,758,468	6,406,729	4,045,092	3,267,800	3,592,546	3,186,100	3,302,824	2,102,800	2,150,764
<b>Net Liabilities for Guarantees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Equity</b>	<b>6,783,269</b>	<b>7,112,867</b>	<b>7,842,912</b>	<b>8,084,617</b>	<b>9,107,835</b>	<b>9,921,939</b>	<b>10,518,095</b>	<b>10,246,340</b>	<b>10,705,567</b>	<b>11,097,565</b>	<b>11,689,076</b>	<b>12,254,891</b>	<b>12,758,560</b>	<b>14,560,893</b>

### 5.3 KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

File name: Proj-in

Projected and Actual Income Statements, 1983-1989

Years ending December 31	'83		'84		'85		'86		'87		'88		'89	
	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual	projected	actual
<b>Income</b>														
<b>Interest Income</b>														
Interest on Loans	526,691	513,813	633,064	599,118	753,966	662,436	900,139	720,907	857,500	763,615	958,100	813,185	1,054,700	957,883
Interest on Bonds & Debentures	22,829	20,049	26,775	26,216	30,679	26,290	36,103	21,724	70,400	26,218	91,800	38,397	112,000	46,117
Interest on Deposits	8,932	3,181	6,194	3,272	7,124	70,639	8,192	96,349	8,288	33,506	8,722	2,746	9,170	25,137
Interest on Securities & Others	40,830	22,073	41,151	50,704	42,137	26,709	43,142	7,515	50,912	32,153	63,578	50,278	56,330	111,899
Total Interest Income	599,542	559,116	707,184	679,310	833,896	786,274	987,578	848,495	987,100	855,492	1,112,000	904,598	1,242,000	1,140,336
<b>Other Income</b>														
Dividend Income	11,331	3,731	11,716	4,542	11,369	4,877	11,022	7,577	8,900	12,417	8,000	23,407	9,200	21,507
Guarantee Commissions	20,290	18,408	22,312	18,642	26,145	21,698	29,861	24,492	14,700	22,999	14,300	19,292	14,000	26,866
Capital Gains on sale of Investment	1,230	291	4,770	23,511	4,700	-	4,750	5,750	3,840	35,021	4,180	205,223	4,544	2,108
Other Income	8,136	21,446	9,016	31,810	9,917	57,176	10,909	36,520	8,180	21,082	8,940	91,822	9,656	44,552
Total Other Income	41,687	43,786	47,814	78,505	52,131	83,751	56,542	74,339	33,600	91,459	35,400	339,504	37,400	97,053
Total Gross Income	640,209	602,902	754,998	755,815	886,027	870,025	1,044,119	920,834	1,020,700	946,951	1,147,400	1,244,100	1,280,200	1,237,389
<b>Expense</b>														
<b>Financial Expenses</b>														
Interest on:														
Borrowings from Government	238,041	218,384	279,306	249,063	332,210	230,762	402,561	240,299	291,207	206,053	319,818	215,061	357,043	218,467
Foreign Loans	190,355	207,033	216,048	270,103	244,899	321,315	271,719	313,780	393,393	288,466	413,184	303,704	430,867	429,319
Debentures	118,386	96,015	148,867	117,293	181,186	184,337	214,677	222,758	213,400	286,929	247,400	288,242	296,400	372,821
Deposits	5,021	2,667	5,946	6,872	6,837	10,552	7,863	17,892	10,500	34,855	13,200	33,156	16,000	29,571
Commissions and Others	11,884	8,746	14,394	10,584	17,313	17,486	20,897	19,014	18,500	35,097	19,200	46,926	23,200	88,442
Total Financial Expenses	563,687	532,825	664,561	653,856	782,445	744,462	917,717	813,741	917,000	609,400	1,012,000	687,091	1,123,500	1,118,440
<b>Administrative and Other Expenses</b>														
Personnel Expenses	19,480	20,051	21,428	19,752	22,571	21,460	25,928	22,659	21,000	23,413	24,000	26,655	28,000	35,671
Provision for Loan Losses	11,007	5,020	11,522	16,583	11,403	35,326	18,326	20,314	11,378	58,599	10,468	182,526	11,299	5,925
Provision for Foreign Exchange Losses	4,266	1,584	5,192	-	6,216	-	7,404	-	-	6,394	-	7,590	-	9,268
Other Expenses	14,725	23,065	17,364	27,294	20,378	38,444	24,015	52,488	21,406	42,657	28,593	88,081	33,930	21,973
Total Admin. & Other Expenses	49,478	49,720	55,508	63,629	61,568	95,220	75,675	96,461	60,178	124,669	70,671	299,244	82,475	63,569
Total Expenses	613,165	582,545	720,069	717,484	844,013	839,672	993,392	909,202	977,178	934,069	1,083,471	1,186,335	1,205,975	1,180,009
Net Income before Tax	27,044	20,357	34,931	38,291	42,014	30,353	90,726	11,632	43,522	12,922	63,929	57,765	74,225	57,380
Taxes	4,022	1,084	5,198	681	8,290	-	7,545	921	8,473	15	9,508	2	11,040	4,219
Net Income	23,022	19,273	29,733	37,610	33,724	30,353	83,181	10,711	37,049	12,907	54,421	57,763	63,185	53,161

Projected and Actual Indicators of Financial and Operational Performance, 1983-1989

	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307
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## Domestic Currency Resource Mobilization

(in Won million)

Source	Amount	Term (years)	Maturity	Interest Rates(%)		Committed/ disbursed	Amount Outstanding/a
				To KDB	Onlending		
<b>1983</b>							
Economic Development Fund	343,060	35	2018	7.0-9.5	7.5-10.0	343,060	1,056,316
National Investment Fund	222,604	10	1993	8.5-9.5	8.0-10.0	222,604	1,587,342
Tourism Development Fund	12,567	7	1990	8.0-9.5	8.5-10.0	12,567	63,895
Special Industry Supporting Fund	5,132	5	1988	0	1.0	5,132	26,245
Energy Rationalization Fund	36	8	1991	8.5	10.0	36	4,569
Electronics Promotion Fund	1,955	5	1988	5.0	6.0	1,955	2,155
Petroleum Stabilization Fund	154	20	2003	8.5-9.5	10.0	154	154
Industrial finance debentures	370,319	5	1988	10.1-11.0	10.0	370,319	589,014
<b>1984</b>							
Economic Development Fund	127,942	35	2019	7.0-9.5	7.5-10.0	127,942	1,115,196
National Investment Fund	161,871	13	1997	9.0-9.5	10.0-11.5	161,871	1,522,223
Tourism Development Fund	15,705	7	1991	8.0-9.5	8.5-10.0	15,705	59,124
Special Industry Supporting Fund	9,276	5	1989	0	1.0	9,276	26,476
Energy Rationalization Fund	605	8	1992	8.5	10.0	605	3,941
Petroleum Stabilization Fund	53,449	8	1992	8.5-9.5	10.0	53,449	53,603
Industrial finance debentures	483,274	5	1989	10.4-11.0	10.0-11.5	483,274	840,762
<b>1985</b>							
Economic Development Fund	208,268	35	2020	5-9.5	7.5-10.0	208,268	1,162,894
National Investment Fund	156,565	10	1999	10.0	10.5-11.5	156,565	1,453,549
Petroleum Stabilization Fund	51,843	8	2003	8.5-9.5	10.0	51,843	209,724
Tourism Development Fund	18,450	7	1992	8.0	10.0	18,450	64,587
Special Industry Supporting Fund	11,325	5	1990	0	1.0	11,325	27,426
Energy Rationalization Fund	532	8	1993	8.5	10.0	532	3,268
Industrial finance debentures	614,665	5	1990	8.9-12.6	10.0-11.5	614,665	1,017,385

Source	Amount	Term (years)	Maturity	Interest Rates(%)		Committed/ disbursed	Amount Outstanding/a
				To KDB	Onlending		
1986							
Economic Development Fund	226,227	35	2021	5-9.5	7.5-10.0	226,227	861,525
National Investment Fund	189,891	10	1999	10.0	10.5-11.5	189,891	1,139,390
Petroleum Stabilization Fund	58,877	8	2003	8.5-9.5	5.0-10.0	58,877	263,503
Tourism Development Fund	25,188	7	1993	8.0	10.0	25,188	69,452
Special Industry Supporting Fund	10,678	5	1991	0	1.0	10,678	30,898
Energy Rationalization Fund	625	8	1993	8.5	10.0	625	2,663
Industrial finance debentures	750,000	5	1992	9.3-12.7	10.0-11.5	750,000	1,390,058
1987							
Economic Development Fund	211,937	35	2022	5-9.5	7.5-10.0	211,937	1,060,428
National Investment Fund	198,608	13	2017	10-10.5	10.5-11.0	198,608	1,255,546
Petroleum Stabilization Fund	107,381	8	1997	3.5-9.5	5-10.0	107,381	215,266
Tourism Development Fund	18,232	7	1994	8.0-8.5	10.0	18,232	75,928
Special Industry Supporting Fund	11,737	5	1992	0	1.0	11,737	35,104
Energy Rationalization Fund	28	8	1997	8.5	10.0	28	1,576
Industrial Finance debentures	850,000	5	1992	9.3-12.7	10.0-11.5	850,000	1,895,509
1988							
Economic Development Fund	221,275	35	2023	5-9.5	5.5-10.0	221,275	1,238,164
National Investment Fund	136,685	10	1998	10-10.5	10.5-11.0	136,685	1,125,828
Petroleum Stabilization Fund	102,197	8	1996	3.5-8.5	5-10.0	102,197	253,343
Tourism Development Fund	20,475	8	1996	8.0-8.5	10.0	20,475	81,802
Special Industry Supporting Fund	8,122	5	1993	0	1.0	8,122	23,227
Energy Rationalization Fund	28	8	1996	8.5	10.0	28	773
Industrial Development fund	5,668	8	1996	5.5-6.0	6.5-7.0	5,668	5,668
Industrial Finance debentures	1,080,049	5	1993	11.5-12.2	11.5-12.2	1,080,049	2,490,164
1989							
Economic Development Fund	152,728	35	2024	5-9.5	5.5-10.0	152,728	1,386,745
National Investment Fund	84,025	10	1999	10.0	10.5	84,025	1,025,547
Petroleum Stabilization Fund	115,683	8	1997	3.5-8.5	5-10.0	115,683	310,131
Tourism Development Fund	22,542	8	1997	9.0-9.5	10.5-11.0	22,542	87,388
Special Industry Supporting Fund	15,228	5	1994	0	1.0	15,228	27,318
Energy Rationalization Fund	0	8	1997	8.5	10.0	0	444
Industrial Development fund	4,443	8	1997	5.5-6.0	6.5-7.0	4,443	8,587
Industrial Finance debentures	1,610,876	5	1994	11.5-12.2	15.0-13.0	1,610,876	3,021,173

## 5.6 KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

File name: PCR-3

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## Foreign Currency Resource Mobilization

(in Mm Million)

Source of Funds	Date of Agreement	Amount in currency contracted (million)	Equivalent amount in US\$ (mil)	Term (years)	Maturity	Interest rate (%) To KDB	Guarantor	Amount Committed	Amount (US\$ million) Disbursed	Outstanding/a
Official IBRD(FSL1st)	6/29/83	US\$130.0	130.0	15	7/15/1998	notified interest (6 month)	R O K	130.0	129.7	22.1
IBRD(FSL2nd)	10/8/85	US\$84.3	84.3	15	7/15/2000	-	R O K	84.3	80.7	27.2
Sub total		US\$194.3	194.3					194.3	180.4	49.3
Commercial Bank Loans/b I B J	11/15/83	US\$500.0	500.0	8	11/15/91	3 months L+1/8(6) L+1/4(2)		500.0	500.0	-
Fuji Bank	11/21/83	¥ 10,000	42.3	10	11/21/93	LTPR+0.2 (¥ 5,000) LTPR+0.3 (¥ 5,000)		42.3	42.3	-
Fuji Bank	6/4/84	¥ 10,000	43.2	10	6/4/94	LTPR LTPR+1.25 (¥ 5,000) LTPR+0.1 (¥ 5,000)		43.2	43.2	-
B O T	10/26/84	US\$400.0	400.0	8	10/26/92	3 months LIBOR+1.25 L+3/4 (3) L+3/4 (5) Prime+0.15		600.0	600.0	-
I B J	11/30/84	¥ 15,000 ¥ 15,000	60.9 60.9	8 10	11/30/92 11/30/94	LTPR+0.1 LTPR		60.9 60.9	60.9 60.9	- -



Source of Funds	Date of Agreement	Amount in currency contracted (million)	Equivalent amount in US\$(mil)	Term (years)	Maturity	Interest rate(%) To KDB	Onlending	Guarantor	Amount (US\$ million)		
									Comit-ted	Disbur-ement	Outstand-ing/a
Mitsubishi	3/22/85	¥ 30,000	117.6	10	3/22/95	LTPR	LTPR +1.25		117.6	117.6	-
		¥ 20,000	78.4	8	3/22/93	LTPR+0.1			78.4	78.4	-
I B J	6/26/86	US\$409.3	409.3	8	6/26/93	3or6 mos L+%(4)	LIBOR+1.25		409.3	409.3	-
		US\$240.7	240.7	8	6/26/93	L+%(4) Prime+0.1			240.7	240.7	-
Chase Manhattan Asia Ltd.	10/23/85	US\$100.0	100.0	10	11/15/97	LIBOR+ %(6) %(6)	LIBOR+1.25		100.0	100.0	100.0
B O T	11/21/85	¥ 30,000	147.9	8	11/21/93	LIBOR+ %(6) %(4)	LIBOR+1.25		147.9	147.9	-
I B J	4/25/86	¥ 10,000	59.3	10	4/25/96	LTPR	LTPR +1.25		59.3	59.3	59.3
		¥ 10,000	59.3	10		LTPR(fixed for 5yrs)			59.3	59.3	59.3
Subtotal		US\$1,859.0 ¥ 150,000	2,519.8						2,519.8	2,519.8	218.6
International Finance Debenture											
Deutsche bank	3/11/83	DM100.0	41.5	7	4/1/90	8.25	LIBOR+1.25	R O K	41.5	41.5	-
Nomura S.S.U	5/19/83	¥ 10,000	43.2	7	5/25/90	8.6	LTPR +1.25	R O K	42.3	42.3	-

Source of Funds	Date of Agreement	Amount in currency contracted (million)	Equivalent amount in US\$(mil)	Term (years)	Maturity	Interest To KDB	rate(%) Onlending	Guarantor	Amount (US\$ million)		
									Committed	Disbursement	Outstanding/a
Credit Suisse	2/28/84	SFr 75.0	35.2	5	3/8/89	7.0	LIBOR+1.25	R O K	35.2	35.2	-
Yamaichi Secu	5/30/84	¥ 10,000	43.6	7	6/5/91	8.0	LTPR +1.25	R O K	43.6	43.6	-
Credit Suisse	10/2/84	SFr 100.0	38.8	5	10/16/89	6.75	LIBOR+1.25	R O K	38.8	38.8	-
Morgan Guaranty Ltd.	2/6/85	US\$98.0	98.0	15	2/15/2000	LIBOR+%	LIBOR+1.25		98.0	98.0	-
		US\$2.0	2.0	3	2/18/90	LIBOR+%	LIBOR+1.25		2.0	2.0	
General Bank, Brussels	7/4/85	ECU 50.0	39.7	7	7/19/92	LIBOR+%	LIBOR+1.25		39.7	39.7	39.7
Nomura Sec.	8/22/85	¥ 30,000	126.5	10	8/30/95	6.7	LTPR +1.25	R O K	126.5	126.5	126.5
Swiss Bank	9/26/85	SFr 70.0	31.9	8	10/17/93	5.875	LIBOR+1.25	R O K	31.9	31.9	31.9
BA Asia	2/11/86	US\$100.0	100.0	15	2/26/2001	LIBOR+%	LIBOR+1.25		100.0	100.0	-
Deutsche Bank	5/22/86	DM 100.0	44.1	7	6/1/93	6.625	LIBOR+1.25		44.1	44.1	44.1
Yamaichi Sec.	12/21/89	¥ 30,000	208.3	5	12/21/94	LIBOR - 0.257	LIBOR+1.25		208.3	208.3	208.3
Subtotal		US\$200.0 ¥ 80,000 DM 200.0 SFr 245.0 ECU 50.0	851.9						851.9	851.9	450.5
TOTAL		US\$2,244.3 ¥ 230,000 DM 200.0 SFr 245.0 ECU 50.0	3,566.0						3,566.0	3,566.0	718.4

## 6. KLB'S FINANCIAL AND OPERATIONAL PERFORMANCE

### Operational Performance

KLB's actual lending and investment operations demonstrated its success as a long term credit bank since its conversion into one in 1980. As a long term financial institution, KLB extends medium and long term credits to business enterprises in the form of loans, discounts, equity investments and guarantees, for both equipment purchase and long term working capital. KLB also offers short term credits within the limits of the deposits received.

In 1989, KLB approved new loans and investments amounting to W1,926 billion comprising W614 billion in foreign currency loans and W1,045 billion in local currency loans, representing an average annual increase at the rate of 38% during the 1983-89 period. Table 6.1 summarizes KLB's loan and investment portfolio for the period while the table below gives the breakdown of the components of KLB's portfolio.

Breakdown of KLB's Loan and Investment Portfolio  
(Won billion)

	1983	1984	1985	1986	1987	1988	1989
Domestic Loans & Inv.	46	36	52	73	78	70	54
Equity	-	1	-	2	2	1	2
Debentures	13	25	24	6	5	11	11
FX Currency Loans	41	39	23	21	16	18	32
<u>Total</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The continued increase in approvals was spurred by the rapid growth of KLB's domestic currency lending operations. The proportion of domestic currency loans and investments has increased continuously during the 1983-89 period on account of the inflow of domestic currency resources from the sale of long term credit debentures and government directed funds. Domestic currency loans and investments which represented 46% of the total portfolio in 1983 increased substantially to as much as 78% in 1987 before settling down to 56% by the end of 1989. The relative demand for foreign currency loans declined on account of the unpopularity of foreign exchange risk exposure in 1985-88. Its share in lending operations dropped to a low of 16% in 1987 from a high of 41% in 1983.

Equity investments accounted for about 2% of KLB's operations in 1989 with approvals amounting to as much as W48 million. Purchases of bonds and convertible debentures have increased substantially (from W38 million in 1983 to W219 million in 1989) since KLB's conversion into a long term credit bank although its share in total KLB operations have dropped considerably since 1976.

To expand its range of financial services, KLB also activated issuance of guarantees in 1983. The level of guarantee operations (on the

basis of new approvals as well as outstandings) also increased from W454 billion in 1983 to W506 billion in 1989. As in lending operations, domestic currency guarantees' share of total guarantees increased starting 1985 with total volumes increasing from a low of W0.5 billion in 1983 to W458 billion in 1989. Foreign currency guarantees, on the other hand, increased only slightly from W4.7 billion in 1983 to W47.7 billion in 1989.

### Financial Performance

**Financial Position.** KLB's total assets, as of the end of 1989, recorded a remarkable increase from W955 billion in 1983 to W3,922 billion. This represents a 54% increase over the 1988 level and an annual average increase of 27% for the period. Actual figures have exceeded projections made at the time of appraisal in 1983.

As of December 31, 1989, 54% of total assets were financed by long term liability, 33% by current liabilities and 13% by equity. Foreign currency borrowings accounted for 8% of long term liabilities in 1989 compared to 74% in 1983 reflecting KLB's increasing reliance on the debenture market.

KLB's net worth stood at W505 billion as of the end of 1989, representing an increase in the 1983 net worth by as much as six times. The increase in net worth was achieved through cash contributions amounting to W122 billion, capital surplus and retained earnings.

KLB's debt equity ratio improved considerably, accounted for by a strengthened equity base, from a high of 16.52x in 1987 to 9.61x in 1988 and 5.05x in 1989.

### Resource Mobilization

KLB's sources of funds come mainly in two types: local and foreign currency funds. Local currency funds are raised through the sale of debentures, deposits and borrowings from the government-directed special funds. Foreign currency funds are raised from borrowings from the Bank of Korea, known as KFX fund borrowing.

Sale of debentures continue to be the major source of local currency funding with its share reaching a third of total resources. KLB issues three types of debentures: coupon (5% of total debentures issued), discount (45%) and compound (50%). The maturity of these debentures range from one to five years. Debentures with a term of three years or more dominate the type of debentures issued. The total amount of debentures issued and outstanding was W1,408 billion, representing an annual rate of increase of 27% for the project period.

KLB also tapped government-directed credits or special funds (i.e., NIF, Industry Promotion Fund and the Petroleum Project Fund), and demand and savings deposits from its corporate clients and debenture holders. During 1989, a total of W170 billion was secured by KLB from government-directed credits and W167 billion from depositors.

Foreign currency borrowings continue to decline in importance as a source of long term funding for KLB. At its peak in 1986 of W756 billion,

foreign currency funds dropped to W168 billion in 1989. Because of the country's improved balance of payments position, KLB relied only on BoK KFX funds, instead of mobilizing resources from the overseas market.

## 6.1 KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

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THE KOREA LONG TERM CREDIT BANK  
Summary of Operations(1983-1989)

	1983		1984		1985		1986		1987		1988		1989	
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
<b>APPROVALS</b>														
<b>Domestic Currency Loans(₩ Million)</b>														
Approvals	273	130,104	422	124,464	616	234,377	1,143	402,137	1,387	584,031	1,498	562,193	1,647	1,044,936
Commitments	267	124,963	427	125,734	586	226,385	1,145	398,691	1,298	566,677	1,440	531,931	2,636	1,033,291
Disbursements		114,560		125,423		224,834		360,558		562,511		525,423		682,249
Repayments		64,511		98,037		141,784		182,287		256,102		209,473		284,322
Outstanding at year end	704	271,529	988	298,915	1,301	381,965	2,025	560,236	2,925	866,645	3,458	1,182,595	5,645	1,580,522
<b>Equity Investment(₩ Million)</b>														
Approvals	1	300	1	-405	6	2,737	4	552	12	12,051	19	9,121	15	47,756
Commitments	1	300	1	-405	5	2,637	5	650	12	12,051	14	9,121	21	47,756
Disbursements		300		95		2,637		650		12,051		9,121		47,756
Converted from Debenture						0	2	125		0				0
Sales of Equity		140		-691		9		0	1	380		0		0
Outstanding at year end	39	7,714	43	8,500	47	11,128	54	11,903	65	23,574	78	32,695	84	80,451
<b>Debentures(₩ Million)</b>														
Approvals	61	38,440	78	84,812	64	107,930	28	33,655	41	40,348	17	84,812	62	219,250
Commitments	63	39,370	75	83,922	71	112,440	27	31,131	26	43,404	17	83,922	84	204,750
Disbursements		37,239		84,637		112,140		31,817		43,364		64,637		210,250
Repayments		7,881		20,412		70,771		113,821		41,991		93,962		34,953
Converted into Equity						0	2	125						0
Outstanding at year end	114	56,686	177	120,911	178	162,280	114	80,151	79	81,524	83	52,199	95	227,496
<b>Revolving Funds(\$'000)</b>														
Approvals	13	8,728	13	9,282	13	5,565	30	23,315	39	29,199	7	26,400	2	4,364
Commitments	15	8,983	13	9,282	12	5,005	23	20,343		28,710	7	25,440	3	5,455
Disbursements		8,232		7,707		6,668		22,407		28,791		7,707		4,055
Repayments		5,210		2,310		9,703		9,587		23,850		2,310		17,171
Add: Fluctuation from FX Exchange Rates		-226		-2,002		3,969		1,408		3,282		-13,563		
Outstanding at year end	24	13,927	36	17,322	37	18,256	43	32,484	54	40,707	59	32,541	60	19,425

# 6.1 KDB's FINANCIAL AND OPERATIONAL PERFORMANCE

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## Foreign Currency Loans(\$'000)

Approvals	169	134,205	184	149,230	155	107,402	141	108,096	72	118,079	151	149,230	206	683,746
Commitments	159	113,483	188	150,533	179	126,515	135	105,694		114,018	168	150,533	188	575,047
Disbursements		81,695		139,029		143,517		78,119		117,509		139,029		254,823
Repayments		74,734		78,754		92,099		95,457		244,059		78,754		190,227
Add:Fluctuation from FX Exchange Rates		-9,259		-26,616		91,354		131,879		184,102		-63,466		
Outstanding at year end	742	531,524	848	565,183	985	707,955	1,064	822,496	987	880,048	935	876,857	907	941,453

## Total (¥ Million Equivalent)

Approvals	517	282,547	698	340,357	854	445,867	1,346	549,541	1,551	753,119	1,692	801,811	1,551	1,926,080
Commitments	505	262,055	704	341,818	853	458,844	1,335	539,040	1,336	735,216	1,646	770,944	2,932	1,803,895
Disbursements		223,636		331,873		473,651		479,743		733,839		720,839		1,171,304
Repayments & Transfer		136,127		185,000		300,714		397,761		510,737		370,677		300,714
Fluctuation from FX Rate		6,868		-5,194		119,065		103,272		89,384		-5,194		119,065
Outstanding at year end	1,623	769,835	2,092	911,514	2,548	1,203,516	3,300	1,388,770	4,110	1,701,256	4,613	2,046,284	6,791	3,035,939

1983		1984		1985		1986		1987		1988		1989	
NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT

## Domestic Currency Guarantees(¥ Million)

Approvals	3	454	1	270	2	3,141	4	3,001	6	3,533	77	114,458	168	458,375
Outstanding at year end	1	200	2	470	2	1,446	5	3,179	6	4,775	74	142,312	203	506,290

## Foreign Currency Guarantees(\$ '000)

Approvals			2	7,083	0	597	1	4,083	0	0	8	22,744	12	48,372
Outstanding at year end			1	781	1	395	1	3,369	1	2,494	9	25,238	20	73,610

## Total Guarantees(¥ Million Equivalent)

Approvals	3	454	3	4,961	2	3,561	5	6,066	6	3,987	85	136,902	180	506,047
Outstanding at year end	1	200	3	987	3	1,724	6	5,708	7	6,759	83	167,550	223	579,900

6.2 KLB's FINANCIAL AND OPERATIONAL PERFORMANCE

Korea Long Term Credit Bank

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Projected Balance Sheets

Unit : Million Won

	1983	1984	1985	1986	1987	1988	1989
<b>Assets</b>							
<b>Current assets</b>							
Cash & bank deposits	16,000	46,660	40,922	59,181	49,995	74,920	77,830
Marketable securities	98,225	86,988	108,447	221,461	212,943	144,543	108,435
Short-term loans	21,995	16,800	18,000	23,400	36,000	49,000	63,000
Current portion of loans & debentures	179,144	248,768	322,651	338,977	336,846	474,952	615,526
Less : Allowance for losses	2,188	2,740	3,460	5,730	10,140	11,050	14,930
Customers' acceptance liability	8,100	30,000	9,500	7,500	12,000	15,000	20,000
Accrued interest receivable & others	24,140	31,050	35,714	54,413	23,295	52,885	52,735
<b>Subtotal</b>	<b>345,416</b>	<b>457,526</b>	<b>531,774</b>	<b>699,202</b>	<b>660,939</b>	<b>800,250</b>	<b>922,596</b>
<b>Domestic currency loans &amp; debentures</b>	<b>319,147</b>	<b>375,928</b>	<b>520,904</b>	<b>646,896</b>	<b>879,278</b>	<b>1,251,378</b>	<b>1,553,238</b>
<b>Foreign currency loans</b>	<b>422,679</b>	<b>487,294</b>	<b>576,271</b>	<b>669,405</b>	<b>741,740</b>	<b>701,690</b>	<b>637,310</b>
<b>Equity investments</b>	<b>9,554</b>	<b>19,714</b>	<b>11,774</b>	<b>12,298</b>	<b>13,525</b>	<b>25,367</b>	<b>28,367</b>
<b>Less : Allowance for losses</b>	<b>5,830</b>	<b>6,160</b>	<b>8,392</b>	<b>14,660</b>	<b>22,530</b>	<b>26,850</b>	<b>29,060</b>
<b>Less : Current portion of loans &amp; debentures</b>	<b>179,144</b>	<b>248,768</b>	<b>322,651</b>	<b>338,977</b>	<b>336,846</b>	<b>474,952</b>	<b>615,526</b>
<b>Long-term customers' acceptance liability</b>			<b>25,500</b>	<b>27,500</b>	<b>68,000</b>	<b>105,000</b>	<b>120,000</b>
<b>Fixed assets(net) &amp; others</b>	<b>11,846</b>	<b>14,601</b>	<b>9,650</b>	<b>11,655</b>	<b>12,392</b>	<b>14,835</b>	<b>49,045</b>
<b>Total assets</b>	<b>923,668</b>	<b>1,100,135</b>	<b>1,344,830</b>	<b>1,713,319</b>	<b>2,016,498</b>	<b>2,396,718</b>	<b>2,665,970</b>

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## Korea Long Term Credit Bank

## Projected Balance Sheets

(Continued)

Unit : Million Won

Liabilities	1983	1984	1985	1986	1987	1988	1989
Current liabilities :							
Deposits	20,689	24,344	30,000	36,000	60,000	70,000	90,000
Short-term borrowings	6,296	4,682	9,700	9,331	5,000	6,000	7,000
Foreign currency deposits					163,800	275,120	273,610
Current portion of term debt	210,678	221,768	267,408	335,012	426,155	474,952	615,526
Acceptances outstanding	8,400	30,000	9,500	7,500	12,000	15,000	20,000
Accrued interest payable	10,814	12,061	39,009	20,433	20,009	16,606	16,816
Other current liabilities	19,368	22,804	39	33,779	18,116	60,690	60,000
Subtotal	276,245	315,659	355,656	442,055	705,080	918,368	1,082,952
Domestic currency borrowing	1,586	1,518	1,451	2,200	73,022	257,457	319,204
Foreign currency borrowings	426,988	487,904	590,235	692,750	591,276	437,890	368,450
KLB debentures :							
Outstanding of KLB debenture	354,018	416,005	568,854	823,658	893,181	983,912	1,222,082
Less : Unamortized discount	31,295	15,244	54,423	59,095	53,281	92,223	111,073
Accrued interest	27,401	32,224	34,248	22,238	60,178	82,130	88,550
Less : Current portion of term debt	210,678	221,768	267,408	335,012	426,155	474,952	615,526
Long-term acceptances outstanding			25,500	27,500	68,000	105,000	120,000
Accrued severance benefits	1,655	2,115	2,500	3,162	3,450	5,200	7,000
Total liabilities	845,920	1,018,413	1,256,613	1,619,456	1,914,751	2,222,782	2,481,639
Equity							
Share capital	50,000	50,000	50,000	50,000	50,000	75,000	75,000
Additional paid-in capital						37,000	37,000
Retained earnings	27,748	31,722	38,217	43,863	51,747	61,936	72,331
Subtotal	77,748	81,722	88,217	93,863	101,747	173,936	184,331
Total Liabilities & Equity	923,668	1,100,135	1,344,830	1,713,319	2,016,498	2,396,718	2,665,970

## B. Actual Balance Sheets

Unit : million won

	1983	1984	1985	1986	1987	1988	1989
<b>Assets</b>							
Current assets :							
Cash & bank deposits	53,001	66,685	63,598	52,206	76,496	71,150	140,792
Marketable securities	70,244	76,064	119,613	213,847	155,856	250,780	498,369
Short-term loans	7,489	14,392	12,857	19,925	34,659	68,241	132,826
Current portion of loans & debentures	227,598	311,338	336,293	411,434	462,477	461,334	729,000
Less: Allowance for losses	2,430	3,310	4,017	8,090	8,826	10,700	13,910
Customers' acceptance liability	15,079	7,912	6,651	8,085	10,971	17,955	46,152
Accrued interest receivable & others	38,993	33,267	63,796	29,413	65,954	81,547	35,494
Subtotal	409,974	506,348	598,791	726,820	797,593	940,307	1,568,723
Domestic currency loans & debenture	490,590	604,019	781,877	816,632	948,178	1,234,793	1,808,016
Foreign currency loans	271,529	228,915	381,964	560,236	729,513	666,003	670,091
Equity investments	7,713	7,529	10,298	11,525	23,367	32,695	80,451
Less: Allowance for losses	5,350	5,810	9,103	18,110	22,458	27,694	33,970
Less: Current portion of loans & debentures	227,598	311,338	336,293	411,434	462,477	461,334	729,000
Long-term customers' acceptance liability	-	21,136	25,487	44,723	90,823	149,596	538,749
Fixed assets (net) & others	8,007	7,542	8,455	8,926	9,279	12,621	24,179
Total assets	954,865	1,128,343	1,461,476	1,739,318	2,113,818	2,546,987	3,922,359

**6.3 KLB's FINANCIAL AND OPERATIONAL PERFORMANCE**

Unit : million won

	1983	1984	1985	1986	1987	1988	1989
<b>Liabilities</b>							
<b>Current liabilities:</b>							
Deposits	22,395	29,117	28,725	51,724	52,559	105,118	167,021
Short-term borrowings	1,315	1,751	2,615	3,770	5,725	11,826	6,625
Current portion of term debt	182,407	226,187	278,222	353,538	471,089	496,483	873,743
Acceptances outstanding	15,079	7,912	6,651	8,085	10,971	17,955	46,152
Accrued interest payable	10,279	13,215	17,492	21,843	22,022	22,428	27,812
Other current liabilities	28,438	27,428	39,710	18,548	71,144	75,430	166,021
<b>Subtotal</b>	<b>259,913</b>	<b>305,610</b>	<b>373,415</b>	<b>457,508</b>	<b>633,510</b>	<b>729,240</b>	<b>1,287,374</b>
Domestic currency borrowing	1,586	1,519	2,267	13,090	149,431	295,259	443,767
Foreign currency borrowings	456,761	506,458	672,214	756,416	479,648	259,372	167,680
Foreign currency deposits	-	-	-	-	274,922	394,824	442,931
<b>KLB debentures :</b>							
Outstanding of KLB debenture	334,545	428,650	596,129	755,226	865,862	1,010,588	1,356,044
Less: Unamortized discount	22,884	25,010	56,036	57,253	71,613	69,675	62,157
Accrued interest	28,779	31,477	35,195	25,131	55,544	88,304	114,449
Less: Current portion of term debt	182,407	226,187	278,222	353,538	471,089	496,483	873,743
Long-term acceptances outstanding	-	21,138	25,487	44,723	90,823	149,596	533,749
Accrued severance benefits	1,615	1,965	2,642	3,043	3,986	5,641	6,776
<b>Total liabilities</b>	<b>877,908</b>	<b>1,045,600</b>	<b>1,373,091</b>	<b>1,644,346</b>	<b>2,011,024</b>	<b>2,366,666</b>	<b>3,416,370</b>
<b>Equity</b>							
Share capital	50,000	50,000	50,000	50,000	50,000	75,000	172,000
Capital surplus	-	-	-	-	-	37,000	238,800
Retained earnings	26,957	32,743	38,385	44,972	52,794	68,321	94,569
<b>Subtotal</b>	<b>76,957</b>	<b>82,743</b>	<b>88,385</b>	<b>94,972</b>	<b>102,794</b>	<b>180,321</b>	<b>505,369</b>
<b>Total Liabilities &amp; Equity</b>	<b>954,865</b>	<b>1,128,343</b>	<b>1,461,476</b>	<b>1,739,318</b>	<b>2,113,818</b>	<b>2,546,987</b>	<b>3,922,239</b>

# 6.4 KLB's FINANCIAL AND OPERATIONAL PERFORMANCE

## Korea Long Term Credit Bank

### Projected Income Statements

Unit : million Won

	1983	1984	1985	1986	1987	1988	1989
<b>Income</b>							
Interest on loans and debentures							
Domestic currency :							
Short-term loans	1,100	1,215	1,956	2,228	3,010	4,700	6,300
Long-term loans	51,674	55,371	71,159	74,350	97,913	129,686	166,040
Foreign currency loans	45,196	51,593	51,308	66,284	68,691	68,624	63,690
Subtotal	97,970	108,089	124,423	142,862	169,614	203,010	236,030
Commitment fees	1,312	1,338	1,115	1,856	1,374	1,830	1,050
Dividend	1,840	1,150	2,177	2,510	2,940	3,100	3,960
Income from reserve fund	14,155	13,277	13,961	30,635	27,130	22,020	18,210
Income from FX transaction & others	1,649	1,351	6,308	5,615	4,480	6,350	6,390
Total revenue	116,926	125,205	147,984	183,478	205,538	236,310	265,640
<b>Expenses</b>							
Interest on borrowings:							
Deposits	1,680	1,550	1,550	1,777	3,350	4,270	5,600
KLB debenture:			64,548	83,506			
Interest on debenture	25,739	33,255			64,890	55,680	57,000
Amortization of discount	28,801	20,229			33,125	50,170	67,670
Foreign currency borrowings	38,221	44,012	50,085	58,319	59,916	60,690	55,510
Other borrowings	65	132	819	792	3,740	15,120	21,150
Subtotal	94,506	99,178	117,002	144,394	165,021	185,930	207,230
Commitment charges	823	2,097	1,443	1,313	520	160	
G & A expenses	5,739	6,427	6,753	7,926	7,980	10,280	12,800
Provision for losses	1,158	1,440	2,450	7,270	6,970	7,122	6,590
Other expenses	2,613	4,098	5,363	7,396	6,122	9,656	11,650
Total expenses	104,839	113,240	133,011	168,299	186,613	213,148	238,270
Income before income taxes	12,087	11,965	14,973	15,179	18,925	23,162	27,370
Provision for income taxes	3,082	3,200	4,500	4,700	7,150	9,020	10,100
Net							

# A. Actual Income Statements

Unit : million won

	1983	1984	1985	1986	1987	1988	1989
Income							
Interest on loans and debentures							
Domestic currency :							
Short-term loans	1,067	1,166	1,788	2,569	3,537	6,190	14,788
Long-term loans & debentures	49,560	57,704	72,567	78,797	100,356	127,446	169,547
Foreign currency loans	45,983	49,212	57,692	72,146	74,887	64,530	68,461
Subtotal	96,610	108,082	132,047	153,512	178,780	198,166	252,796
Commitment fees	1,661	1,354	1,263	1,077	1,882	2,530	10,092
Dividend	1,117	1,346	2,133	2,706	2,852	3,806	5,654
Income from reserve fund	14,806	12,899	14,408	26,682	25,532	28,438	38,261
Income from FX transaction & others	2,726	4,706	6,325	9,587	6,364	10,828	18,391
Total revenue	116,920	128,387	156,174	193,564	215,390	243,768	325,194
Expenses							
Interest on borrowings :							
Deposits	1,248	1,219	1,637	2,157	2,925	5,282	9,000
KLB debenture :							
Interest on debenture	25,427	31,489	40,312	54,006	57,811	61,635	79,056
Amortization of discount	29,380	23,079	25,687	26,737	38,981	46,230	51,943
Foreign currency borrowings	58,685	46,015	54,826	65,885	64,276	52,886	54,823
Other borrowings	451	698	752	464	4,968	16,706	31,740
Subtotal	95,191	102,500	123,214	149,249	168,961	182,939	226,562
Commitment charges	1,532	1,711	1,291	1,193	1,016	282	67
G & A expenses	6,186	7,134	6,799	6,647	8,075	10,055	15,046
Provision for losses	920	1,340	4,129	13,080	8,700	7,222	9,486
Other expenses	2,182	3,491	6,361	7,995	7,349	12,457	28,773
Total expenses	106,011	116,176	141,794	178,164	194,101	212,955	279,934
Income before income taxes	10,909	12,211	14,380	15,400	21,289	10,813	45,260
Provision for income taxes	2,700	2,700	4,100	4,000	8,950	10,700	12,700
Net income	( )	9 5 1	( )	10 0	1 39	10,113	32,560

## Korea Long Term Credit Bank

## Ratio Analysis

	Unit	1983	1984	1985	1986	1987	1988	1989
1. Income from term loans & debenture/ average term loan & deb. portfolio	%	13.90	13.32	12.36	11.36	11.21	11.02	11.14
2. Cost of term debt/ave. term debt	%	12.80	11.59	11.15	10.49	10.06	9.82	9.81
3. Interest spread(1-2)	%	1.10	1.73	1.21	0.87	1.15	1.20	1.33
4. Income from FX loan/ave. FX loan portfolio	%	11.10	11.03	9.83	10.15	9.35	9.65	9.51
5. Cost of FX term debt/ave. Fx term debt	%	9.20	9.34	9.40	8.74	8.00	8.29	8.24
6. Interest spread(4-5)	%	1.90	1.69	0.43	1.41	1.35	1.36	1.27
7. Income from Won currency term loans & deb./ave. Won currency term loans & deb. portfolio	%	17.80	16.87	15.21	13.01	13.01	11.92	11.92
8. Cost of Won currency term debts/ Average Won currency term debts	%	15.50	14.72	13.09	12.24	11.88	10.83	10.58
9. Interest spread(7-8)	%	2.30	2.15	2.12	0.77	1.13	1.09	1.34
10. Income from all portfolio/all ave. portfolio	%	13.80	13.49	12.66	12.35	11.47	11.32	11.36
11. Financial expense/ave. debt & equity	%	12.20	11.74	10.17	10.06	9.36	9.06	8.94
12. Earning spread	%	1.60	1.75	2.49	2.29	2.11	2.26	2.42
13. G & A expenses/ave. total assets	%	0.70	0.60	0.55	0.50	0.42	0.46	0.51
14. Provision for losses/loans	%	1.00	1.00	1.00	1.50	1.95	1.95	2.00

**6.6 KLB's FINANCIAL AND OPERATIONAL PERFORMANCE**

**Page 2 of 2**

	Unit	1983	1984	1985	1986	1987	1988	1989
15. Return on total assets (before income taxes)	%	1.30	1.14	1.11	0.89	0.94	0.97	1.03
16. Return on total assets (after income taxes)	%	1.00	0.86	0.78	0.61	0.58	0.59	0.65
17. Return on equity (after income taxes)	%	11.58	10.73	11.87	11.16	11.57	8.13	9.37
18. Earnings per share *	won	180	175	209	210	1,178	943	1,151
19. Cash dividend ratio	%	10.00	8.00	10.00	10.00	10.00	10.00	10.00
20. Payout ratio (cash dividend/net income)	%	55.50	48.73	47.74	47.71	42.46	40.52	48.61
21. Interest coverage ratio	times	1.12	1.12	1.36	1.24	1.56	1.55	1.53
22. Debt service coverage ratio	times	1.05	1.22	1.21	1.37	1.28	1.13	1.25
23. D/E ratio		10.48	12.22					
- Including current maturity	times			10.18	14.64	14.40	9.49	9.92
- Excluding current maturity	times			12.14	12.51	11.86	7.47	7.55
24. Current ratio	times	1.25	1.58	1.50	1.58	0.94	0.87	0.85

\* 1983-86 : par value (₩1,000), 87-89 : par value (₩5,000)

# 6.7 KLB's FINANCIAL AND OPERATIONAL PERFORMANCE

## C. Ratio Analysis

	Unit	1983	1984	1985	1986	1987	1988	1989
1. Income from term loans & debenture / average term loan & deb. portfolio	%	15.69	13.00	12.73	11.97	11.60	10.87	11.33
2. Cost of term debt/ ave. term debt	%	12.94	11.75	11.14	10.80	9.85	9.48	9.55
3. Interest spread	%	0.75	1.25	1.59	1.17	1.75	1.39	1.78
4. Income from FX loan/ ave. FX loan portfolio	%	11.03	10.83	10.29	10.51	10.39	9.41	10.36
5. Cost of FX term debt/ ave. FX term debt	%	9.34	9.91	9.52	9.39	8.65	7.55	8.68
6. Interest spread	%	1.69	0.92	0.77	1.12	1.74	1.76	1.68
7. Income from Non currency term loans & deb./ave. Non currency term loans & deb. portfolio	%	17.18	15.43	15.51	13.63	12.7	11.68	11.14
8. Cost of Non currency term debts/ Average non currency term debts	%	18.05	14.05	13.03	12.35	11.69	10.65	9.89
9. Interest spread	%	-0.88	1.38	2.47	1.31	0.94	1.03	1.25
10. Income from all portfolio/ all ave. portfolio	%	13.49	12.92	12.66	12.03	11.59	10.84	9.33
11. Financial expenses/ave. debt & equity	%	11.74	10.76	10.28	10.06	9.64	8.77	7.01
12. Earning spread	%	1.75	2.16	2.38	1.97	1.95	2.07	2.32
13. G & A expenses/ave. total assets	%	0.70	0.68	0.53	0.42	0.42	0.43	0.47
14. Provision for losses/loans	%	1.00	1.00	1.10	1.90	1.90	1.90	2.00
15. Return on total assets (before income taxes)	%	1.14	1.08	0.98	0.89	1.01	1.2	1.15
16. Return on total assets (after income taxes)	%	0.86	0.84	0.70	0.66	0.56	0.79	0.83
17. Return on equity (after income taxes)	%	10.67	11.49	11.63	12.90	12.00	11.15	11.44
18. Earnings per share	%	16.40	19.00	20.60	22.80	24.76	26.30	18.90
19. Cash dividend ratio	%	8.00	10.00	10.00	10.00	10.00	10.00	10.00
20. Payout ratio (cash dividend/net income)	%	48.73	52.57	48.64	45.85	40.52	34.35	28.18
21. Interest coverage ratio	time	1.12	1.12	1.04	1.30	1.35	1.40	1.41
22. Debt service coverage ratio	time	1.22	1.18	1.39	1.30	1.13	1.20	1.52
23. D/E ratio								
-including current maturity	time	9.30	10.33	14.42	16.18	16.52	9.61	5.05
-Excluding current maturity	time	8.01	8.92	11.28	12.46	13.36	9.05	4.20
24. Current ratio	time	1.60	1.60	1.50	1.60	0.90	1.30	1.20



6.8 KLE's FINANCIAL AND OPERATIONAL PERFORMANCE

Statement of resources as of the end of 1983-1989

	1983	1984	1985	1986	1987	1988	1989
Local currency resources (V Million)							
Share capital	50,000	50,000	50,000	50,000	50,000	75,000	172,000
Reserves & Retained earnings	26,957	32,743	38,384	44,972	52,794	68,321	94,569
Net stockholders' equity	76,957	82,743	88,384	94,972	102,794	143,321	266,569
Domestic currency borrowings	1,586	1,519	2,267	13,090	147,485	295,259	443,767
Issuance of KLB debenture	340,440	435,006	575,288	723,103	794,249	1,029,217	1,408,336
Premium on Capital Stock						37,000	238,800
Deposits received	22,050	29,117	28,725	51,724	51,956	103,951	160,244
Add-back: non-cash charges	10,530	13,395	18,088	31,506	37,650	41,165	51,303
Total local currency resources	451,563	561,870	712,752	914,395	1,134,134	1,649,913	2,569,019
Less: Local currency loans outstanding	271,529	298,915	361,965	560,235	866,645	1,182,595	1,580,522
Bonds & Debenture outstanding	56,686	120,911	162,280	80,151	81,524	52,199	227,496
Equity investments	7,714	8,500	11,128	11,903	23,574	32,695	80,451
Fixed assets (at cost)	7,847	8,280	9,951	10,812	11,455	12,621	24,177
Deferred assets	1,293	521					
Reserved at B.O.K	474	2,037	570	2,920	3,628	8,909	24,677
Short-term loans outstanding	7,480	14,392	12,857	19,925	34,496	68,225	130,253
Sub-total	353,032	453,556	578,751	685,946	1,021,322	1,357,244	2,067,576
Available for disbursement	98,531	108,314	134,001	228,449	112,812	292,669	501,443
Less: Undisbursed commitment	17,115	16,210	18,061	54,898	71,165	98,362	241,396
Available for commitment	81,416	92,104	115,940	173,551	41,647	194,307	260,047
Less: Uncommitted approvals	13,849	13,469	17,051	22,897	24,247	40,380	120,941
Available for approval	67,567	78,635	98,889	150,654	17,400	153,927	139,106
Foreign currency resources (\$'000)							
IBRD loans	548,289	548,289	666,775	654,845	654,845	595,419	593,366
ADB loans	247,589	247,570	243,203	219,378	215,697	213,264	213,264
IPC loan	17,800	17,800	17,800	17,800	17,800	17,800	17,800
DEG loan	2,000	2,000	2,000	2,000	2,000	2,000	2,000
ATD & Caterpillar loans	2,971	2,971	2,971	2,971	2,971	2,971	2,971
APCO loan	20,000	20,000	20,000	20,000	20,000	20,000	20,000
DEMTB loan	30,000	30,000	30,000	30,000	30,000	30,000	30,000
IBJ loan	50,000	50,000	50,000	50,000	50,000	49,943	49,943
Bank loan	225,000	295,000	365,000	364,400	368,873	353,882	352,885
Refinance & Others	11,990	19,032	30,954	25,870	116,599	827,483	1,514,279
Total foreign currency resources	1,155,639	1,232,662	1,428,703	1,387,264	1,478,785	2,112,762	2,796,508
Less: Total loans disbursed	858,399	997,428	1,140,945	1,219,064	1,343,247	1,911,430	2,166,253
Available for disbursement	297,240	235,234	287,758	168,200	135,538	201,332	630,255
Less: Undisbursed commitment	64,670	76,174	59,172	86,748	60,623	107,196	427,420
Available for commitment	232,570	159,060	228,586	81,454	74,915	94,136	202,835
Less: Uncommitted approvals	40,849	39,546	20,433	22,835	31,731	51,377	160,076
Available for approval	191,721	119,514	208,153	58,619	43,184	42,759	42,759
Total resources (V Million equivalent)							
Total resources	1,370,874	1,584,363	1,987,869	2,109,384	2,330,323	3,469,846	4,831,114
Available for disbursement	334,985	303,441	390,825	373,336	222,448	466,096	1,011,256
Available for commitment	266,425	224,044	319,953	243,715	102,245	275,395	424,120
Available for approval	220,081	177,772	294,666	201,148	52,331	190,759	173,693

7. PROJECT PERFORMANCE OF THE KOREA BANKING INSTITUTE

The Government entered into a Loan Agreement with the Bank to draw in various currencies the amount of \$255.0 million of which \$5.0 million may be used for overseas training (\$2.5 million) and consultant services (\$2.5 million). Under the agreement, the Government relented the proceeds of the loan to each of the agencies and institutions participating in the training. Accordingly, the Government entered into a Subsidiary Agreement with the Ministry of Finance through the Korea Banking Institute who in turn made a Subloan Agreement with each of the agencies and institutions participating in the training. Under the direction and supervision of the MOF, KBI managed the project to train the staff of supervisory agencies and selected financial institutions. The participating institutions consist of two non-monetary financial institutions, 14 monetary financial institutions, one credit guarantee fund institution and four securities and insurance company. The Training Projects, which aimed at cultivating financial specialists and promoting the development of advanced financial techniques to meet the requirements for the liberalization and internationalization of the Korean financial system and effective bank management, covered both academic and on-the-job training.

KBI assisted the MOF in the execution of the Training Projects by performing managerial activities related to the proceeds of the loans as preparation of relevant documents for withdrawals and repayments, etc. KBI also maintained financial records and prepared financial statements only for the \$2.0 million (of the \$2.5 million) portion of the overseas training. The remaining \$0.5 million was used for the training of the staff of supervisory agencies and was administered directly by the MOF.

KBI performance of its responsibilities under the loan has been satisfactory. In 1984 total assets of the training fund amounted to W442 million and grew to W3,032 million by 1988. In 1988 total subloans benefitting about 408 staff of participating financial institutions and the MOF amounted to W2,237 million. To cover minimum direct costs relating to its financing, the Government collects an administrative fee from KBI at the rate of 0.5%. KBI is reimbursed by the participating financial institutions for the management fee paid.

7.1 PROJECT PERFORMANCE OF KBI

KOREA BANKING INSTITUTE  
TRAINING PROJECT UNDER IBRD LOAN AGREEMENT

BALANCE SHEET

December 31. each years

YEARS	1984	1985	1986	1987	1988	1989
<b>ASSETS</b>						
Special account	-	-	45,650,295	86,486,473	2,238,937	27,292,000
Subloans of IBRD loan funds	349,715,450	1,282,763,377	2,064,732,757	2,415,173,465	2,236,520,030	1,902,611,156
Unsettled subloans of IBRD loan funds	75,669,004	48,131,947	182,012,370	152,283,527	89,921,394	-
Due from Government budget	1,429,914	351,040,722	427,813,472	403,118,132	626,421,521	705,576,397
interest receivable	10,602,702	48,135,152	80,926,135	86,192,785	77,341,134	79,669,510
commitment fees receivable	4,940,394	2,685,355	3,360,951	1,715,702	16,544	27,258
Administrative fees received	-	-	13	780	1,303	5,583
	<b>₩ 442,357,464</b>	<b>1,732,756,553</b>	<b>2,804,495,993</b>	<b>3,144,970,864</b>	<b>3,032,460,863</b>	<b>2,715,181,904</b>
<b>Liabilities</b>						
Borrowings from Government, Credit of IBRD to Government	349,715,450	1,587,533,527	2,473,238,299	2,803,157,428	2,841,360,504	2,579,807,251
Unsettled borrowings from Government, credit of IBRD to Government	75,669,004	82,629,134	227,662,665	238,770,000	92,160,331	27,292,000
Interest payable	10,602,702	59,162,960	96,745,316	99,756,758	98,940,028	108,045,861
Commitment fees payable	6,370,308	3,430,932	6,849,713	3,286,678	-	27,258
Administrative fees payable	-	-	-	-	-	9,534
	<b>₩ 442,357,464</b>	<b>1,732,756,553</b>	<b>2,804,495,993</b>	<b>3,144,970,864</b>	<b>3,032,460,863</b>	<b>2,715,181,904</b>

KOREA BANKING INSTITUTE  
TRAINING PROJECT UNDER IBRD LOAN AGREEMENT

STATEMENT OF INCOME

the year ended December 31, each years

YEARS	1984	1985	1986	1987	1988	1989
<b>REVENUE</b>						
Interest income on subloans	10,602,702	76,780,300	152,585,373	187,368,096	177,219,815	154,402,375
Interest income on special account	-	-	3,268,518	2,200,412	5,446,976	3,056,934
Commitment fee income	15,393,154	7,356,092	9,555,381	4,476,828	829,021	92,208
Administrative fee income	5,190	24,229	65,924	191,645	190,278	189,932
Transferred from Government budget	4,044,624	358,088,518	111,878,110	65,227,963	10,054,951	41,700,689
Foreign currency translation gain	-	-	-	-	45,565,026	34,848,371
	<b>₩ 30,045,670</b>	<b>442,249,139</b>	<b>277,353,306</b>	<b>259,464,944</b>	<b>239,306,067</b>	<b>234,290,509</b>
<b>EXPENSES</b>						
Interest expense on borrowings	10,602,702	93,538,229	190,427,218	220,972,322	218,385,466	207,136,022
Commitment fee expenses	19,436,448	9,414,913	17,604,469	9,781,674	5,565,312	5,587,775
Administrative expenses	6,520	28,660	83,414	236,370	233,248	319,161
Training expenses for Ministry of Finance staff	-	339,267,337	69,238,205	28,474,578	-	11,614,500
Transferred to Government budget	-	-	-	-	15,122,041	9,633,051
	<b>30,045,670</b>	<b>442,249,139</b>	<b>277,353,306</b>	<b>259,464,944</b>	<b>239,306,067</b>	<b>234,290,509</b>
<b>Excess of revenues over expenses</b>	<b>₩ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

8. STATUS OF COVENANTS

Section	Activity	Remarks
<u>Loan Agreement with the Government:</u>		
3.01 (e)	Relend proceeds of Part C1 of the loan to financial institutions participating in the training under contracts in accordance with the Loan Agreement.	Complied
3.02	Exchange views on the progress achieved in financial sector reform.	Complied
3.05 (a)	Furnish the Bank plans, specifications, reports, etc. for Part C of the project and any changes thereof.	Complied
3.05 (b)	Maintenance of procedures and records adequate to reflect operations, resources and expenditures regarding the Project	Complied
3.06	For Part C2 of the Project, employ consultants and experts satisfactory to the Bank and in accordance with Bank procedures.	Complied
3.08 (a)	Carry out training under C1 of the Project satisfactory to the Bank; furnish not later than 12/31/83 a training program and not later than September 30 each year, schedule to be carried out in the following years.	Complied
3.08 (b)	Furnish to the Bank for approval training contracts costing \$ 75,000 or more.	Complied
4.01 (b)	Maintain separate accounts reflecting all expenditures on which withdrawals from loan account on the basis of SOEs.	Complied
4.01 (c)	(i) Audit of financial statements for each fiscal year.  (ii) Furnish the Bank, as soon as available but in any case not later than four months after the end of each year: certified copies of the financial statements as audited; and the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.	Complied

STATUS OF COVENANTS

Section	Activity	Remarks
<u>Project Agreement with KDB:</u>		
2.09 (a)	Not to ammend the Policy Statement except agreement with the Bank and exchange views with the Bank on progress of the project.	Complied
2.09 (b)	Inform the Bank of any condition which interferes with the progress of the project.	Complied
3.01 (a)	Maintain procedures and records to monitor progress of the project and to reflect operations and financial condition of KDB.	Complied
3.01 (b)	(i) Audit of financial statements for each fiscal year.  (ii) Furnish the Bank, as soon as available but in any case not later than four months after the end of each year: certified copies of the financial statements as audited; and the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.	Complied
3.01 (c)	Not to incur any debt if consolidated debt outstanding would be 10x the consolidated capital and surplus.	Complied but actual ratio close to limit
3.03 (a)	Take steps necessary to protect against risk of loss from changes in foreign exchange.	Complied
3.03 (b)	Maintain a weighted average effective spread of at least 2% on its lending from foreign commercial borrowings.	Not complied
Schedule	Eligibility of Investment Enterprises:	
	- Maximum subloan size of \$ 15 million equivalent.	Complied
	- Investment enterpises with debt equity ratio not to exceed 5x and for those with debt equity ratio of 4.5x, should have a debt service ratio of at least 1.25x during the first three years of operation.	Complied

STATUS OF COVENANTS

Section	Activity	Remarks
	- Spread of 2% over cost of proceeds of Bank loan and 1% for the period 7/1/86 to 6/30/87.	Not complied but Bank agreed to change in 9/4/86.
<u>Project Agreement with KLB:</u>		
2.09 (a)	Not to ammend the Policy Statement except agreement with the Bank and exchange views with the Bank on progress of the project.	Complied
2.09 (b)	Inform the Bank of any condition which interferes with the progress of the project.	Complied
3.01 (a)	Maintain procedures and records to monitor progress of the project and to reflect operations and financial condition of KDB.	Complied
3.01 (b)	(i) Audit of financial statements for each fiscal year.  (ii) Furnish the Bank, as soon as available but in any case not later than four months after the end of each year: certified copies of the financial statements as audited; and the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.	Complied
3.02	Not to incur debt if total debt outstanding would be greater than 12x the consolidated capital and surplus.	Complied until 1985 when debt equity ratio was 13.5x. Ratio was revid to 15x under the Second Ind. Finance Loan.
3.03	Take steps necessary to protect against risk of loss from changes in foreign exchange.	Complied
Schedule	Eligibility of Investment Enterprises:	
	- Maximum size of subloan of \$ 10 million.	Complied

STATUS OF COVENANTS

Section	Activity	Remarks
	- Investment enterprises with debt equity ratio not to exceed 5x and for those with debt equity ratio of 4.5x, should have a debt service ratio of at least 1.25x during the first three years of operation.	Complied
	- Spread of 2% over cost of Bank loan.	Complied



## 9.1 Use of Bank Resources

### Staff Inputs

Stage of Project Cycle	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	TOTAL
Preparation	10.6	19.2	-	-	-	-	-	-	29.8
Appraisal	0.4	74.6	-	-	-	-	-	-	75.0
Negotiations	-	6.1	-	-	-	-	-	-	6.1
Lending Operations	71.3	37.4	-	-	-	-	-	-	108.7
Supervision	-	1.2	13.5	5.7	7.8	1.4	3.6	3.5	36.7
Completion	-	-	-	-	-	0.7	-	1.8	2.5
Administration	-	0.5	3.5	0.5	2.3	1.1	-	-	7.9
TOTAL	82.3	139.0	17.0	6.2	10.1	3.2	3.6	5.3	266.7

## 9.2 Use of Bank Resources

### Missions

Stage of Project Cycle	Month/Year	No. of Persons	Days in Field	Specialization Represented	Performance Rating	Types of Problems
through Appraisal:	6/81	1	NA	Industrial Economics	-	-
	5/82	9	14	Industrial Economics Development Banking Financial Policy	-	- - -
	11/82	5	21	Development Banking Technical Assistance Financial Policy Industrial Economics	-	- - - -
appraisal through Board Approval	2/83	4	NA	Development Banking Industrial Economics	-	-
	4/83	1	10	Computer Technology	-	
Board Approval through effectiveness	7/83	1	NA	Legal Agreements	-	-
	8/83	2	7	Development Banking Industrial Economics	-	-
Supervision: Mission 1	3/84	2	14	Development Banking Securities Market Capital Markets	Minor to Moderate Problems	Project Performance Effects of Policy on KDB
Mission 2	6/84	1	21	Development Banking	Minor Problems	
Mission 3	4/86	2	14	Development Banking	Minor to Moderate Problems	Project Management Development Impact Overall Status
Mission 4	3/87	1	10	Development Banking	Minor to Moderate Problems	Project Management Development Impact Overall Status
Mission 5	3/88	1	10	Development Banking	Moderate Problems	Project Management Overall Status